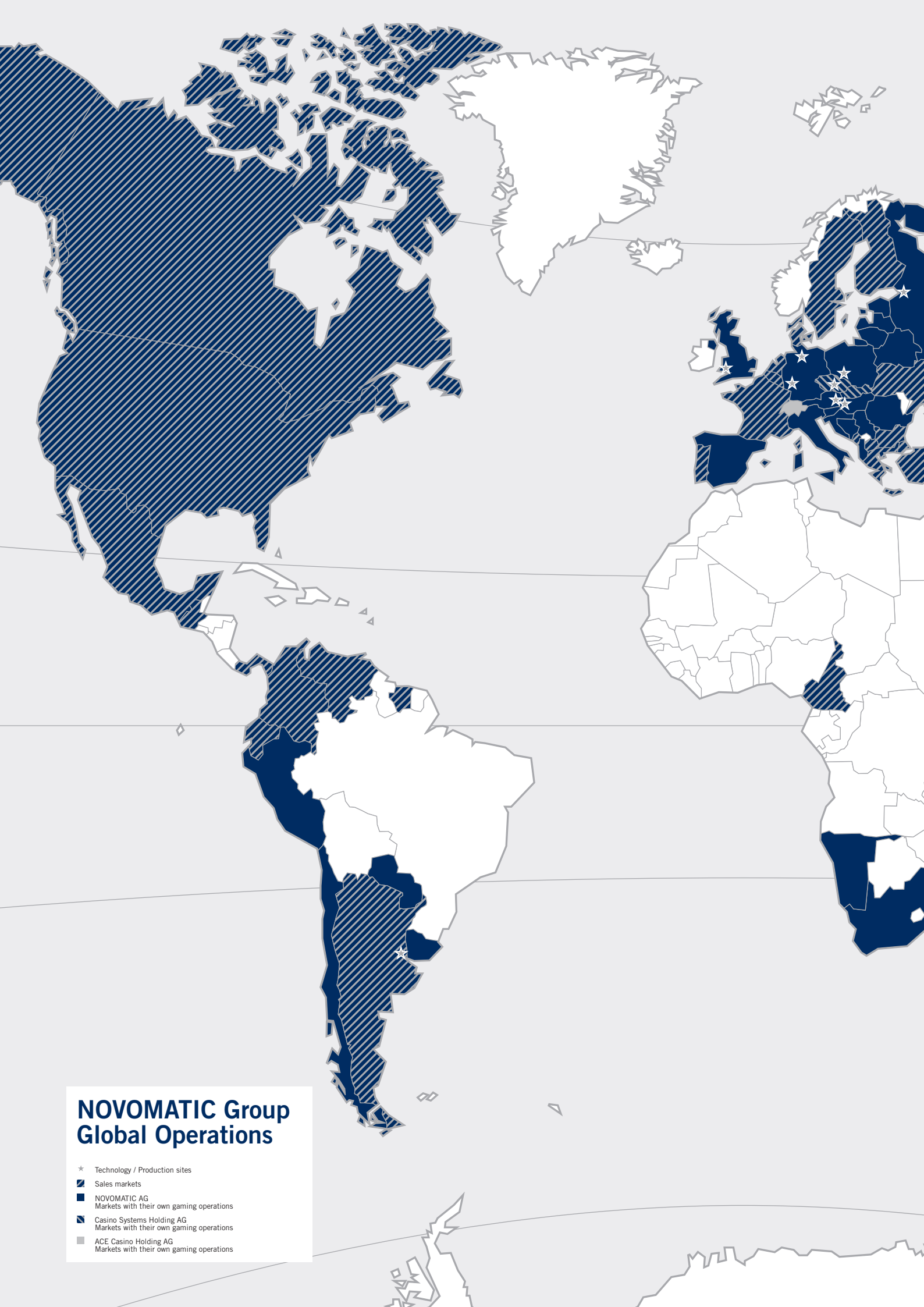
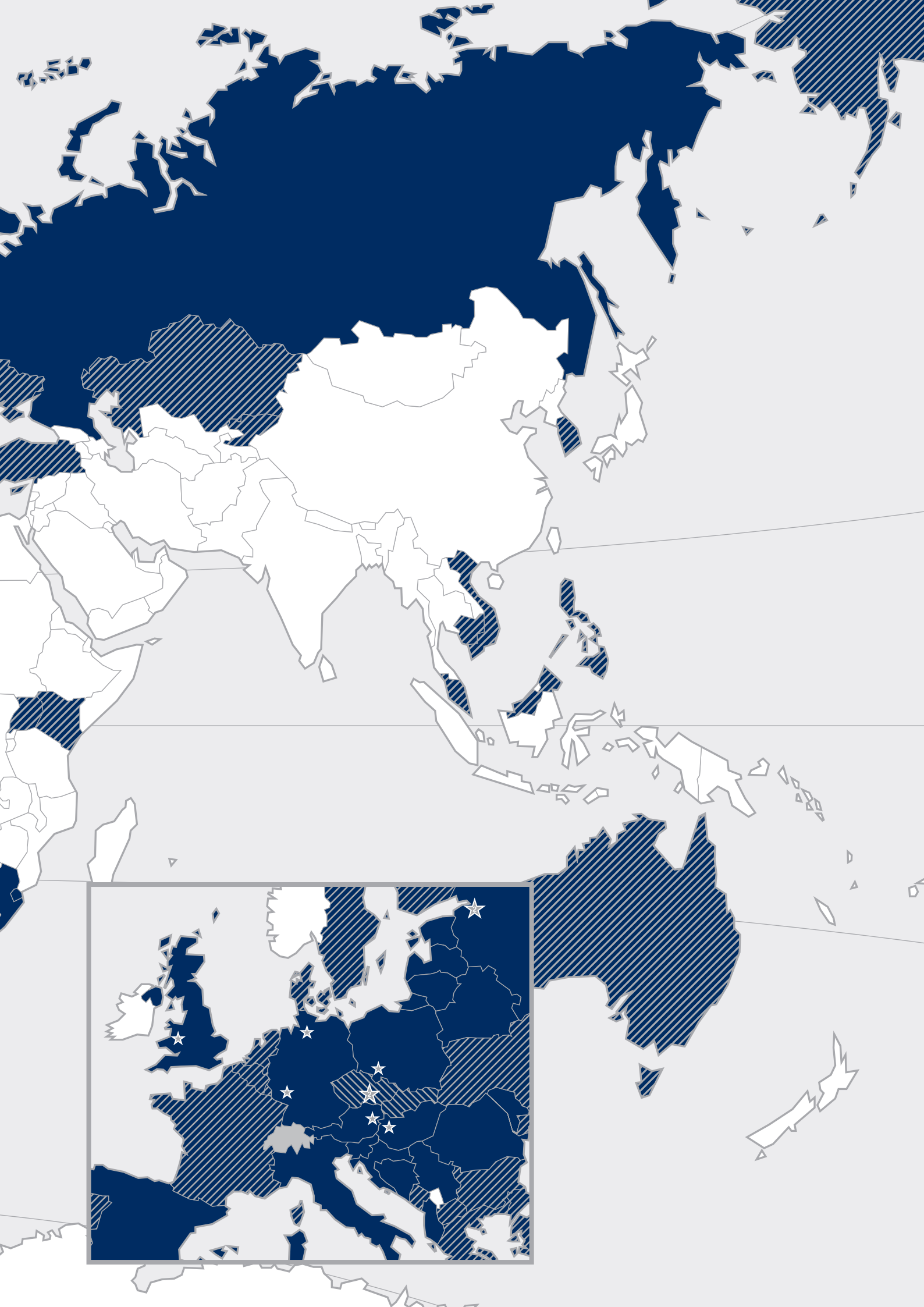


**NOVOMATIC AG**



## NOVOMATIC Group Global Operations

- ★ Technology / Production sites
- ▨ Sales markets
- NOVOMATIC AG  
Markets with their own gaming operations
- ▩ Casino Systems Holding AG  
Markets with their own gaming operations
- ACE Casino Holding AG  
Markets with their own gaming operations



# Organizational Chart\*

## NOVOMATIC Group

<p><b>NOVOMATIC AG</b> Holding company (Austria)</p>
<p><b>Austrian Gaming Industries GmbH</b> (100%): Most important production company/Austria</p>
<p><b>NSM-LÖWEN Entertainment GmbH</b> (100%): Production and distribution in Germany and other countries</p>
<p><b>Crown Technologies GmbH</b> (100%): Production and distribution in Germany and other countries</p>
<p><b>Extra Games Entertainment GmbH</b> (93%): AWP arcade operator in Germany</p>
<p><b>Admiral Sportwetten GmbH</b> (100%): Sports betting provider in Austria</p>
<p><b>Greentube Internet Entertainment Solutions GmbH</b> (70%): Designer of gaming solutions for the Internet, mobile devices and iTV</p>
<p><b>HTM Hotel und Tourismus Management GmbH</b> (100%): includes Hotel Admiral am Kurpark in Baden/Austria</p>
<p><b>ASTRA Games Holdings Ltd.</b> (90%): AWP production and sales in UK and other countries</p>
<p>Other domestic and international investments in countries including Albania, Belarus, Bosnia, Bulgaria, Chile, Croatia, Estonia, Hungary, Italy, Latvia, Lithuania, Macedonia, Malta, Mexico, Montenegro, Peru, Romania, Russia, Serbia, Slovenia, Spain, South Africa and Ukraine.</p>

\*) Selected stakes



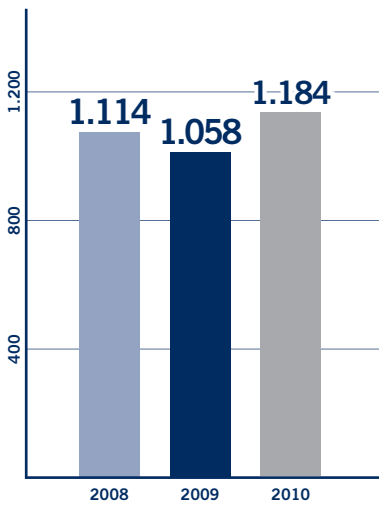
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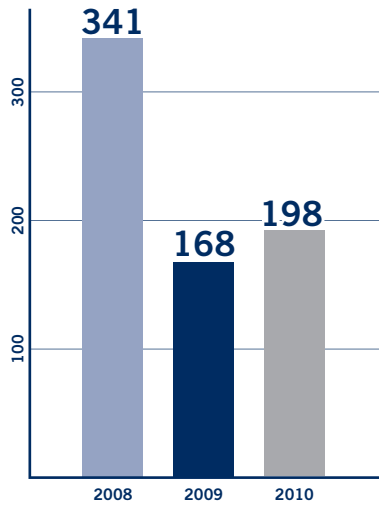
\* ) In order to improve readability, some terminology is used only in its masculine form. Nevertheless, all passages refer equally to members of both genders.



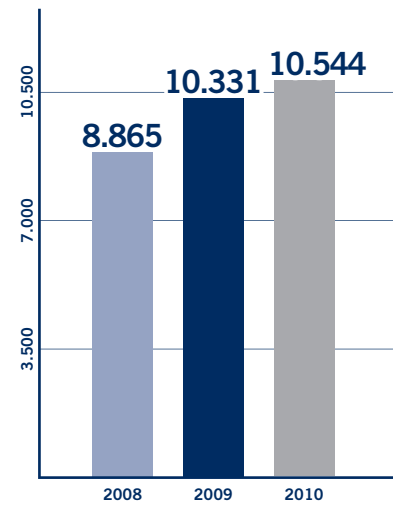
## Corporate Key Figures



**Sales revenue,  
NOVOMATIC AG**  
(in million EUR)



**Earnings  
before taxes,  
NOVOMATIC AG**  
(in million EUR)



**Employees,  
NOVOMATIC AG**  
(annual mean)



## Consolidated Profit and Loss Statement (in million EUR)\*

	2008	2009	2010
<b>Sales revenue</b>	1,113.8	1,058.4	1,183.7
<b>EBITDA</b>	488.2	399.2	449.4
<b>EBITDA margin (EBITDA/sales) in %</b>	43.8	37.7	38.0
<b>Earnings before interest and taxes (EBIT)</b>	345.9	185.8	223.1
<b>EBIT margin (EBIT/sales) in %</b>	31.0	17.6	18.8
<b>Earnings before taxes</b>	340.9	167.7	198.2
<b>Consolidated annual profit after taxes</b>	242.9	58.9	131.5

## Consolidated Balance Sheet (in million EUR)\*

	2008	2009	2010
<b>Balance sheet total</b>	1,376.4	1,515.5	1,828.5
<b>Equity capital</b>	625.0	639.6	739.1
<b>Equity ratio (equity capital/total assets) in %</b>	45.4	42.4	40.4
<b>Number of employees annual average</b>	8,865	10,331	10,544

\*) Source: Annual Statements as of 12/31/2008 and 12/31/2010 as per IFRS



# 30<sup>th</sup> Anniversary Celebration in Gumpoldskirchen



## We are NOVOMATIC.

On May 28, 2010, NOVOMATIC celebrated its 30<sup>th</sup> anniversary at its headquarters in Gumpoldskirchen with over 2,500 guests in attendance.

In addition to employees and residents from the region, the hosts Dr. Franz Wohlfahrt and Mag. Thomas Graf also had the pleasure of welcoming Dr. Erwin Pröll, Governor of Lower Austria.









## Dear Ladies and Gentlemen:

Fiscal year 2010 still saw the international gaming industry adversely impacted by the effects of the economic and financial crisis. It is therefore all the more gratifying that NOVOMATIC Group succeeded in taking timely and appropriate action to improve its position in the market. As a result, signs of a clear trend reversal were already evident by mid-2010, and these are now reflected in record sales by our Group.

This has enabled us to maintain and strengthen our position as Europe's leading gaming group and as one of the top global players. This makes me all the more proud in light of the fact that we had the pleasure of celebrating our Group's 30th anniversary during the past fiscal year.

When we founded the company with just twelve employees back in 1980 we never could have dreamed how fast NOVOMATIC would evolve. Our success story is based on the vision of combining and merging gaming services and high technology into a single whole. With this vision in mind – the dual role of being both a producer of technologically leading gaming equipment and a supplier of first-class, service-oriented, gaming offerings – we have firmly established ourselves as global players in the premium segment of the worldwide entertainment industry.

NOVOMATIC has long since overcome geographical boundaries and is now a striking example of what a multicultural group of companies can achieve. This is documented not only by our commitment in Chile, but also by our entry into the Italian market, impressively initiated last year, and by the opening of the new administrative headquarters in Romania.

Our success story ranges from Astra Games Ltd., our subsidiary in England, the German subsidiaries NSM-LÖWEN and Crown Technologies, and the majority stake in Austria's Greentube Internet Entertainment Solutions that was acquired the previous year, to our production sites and competence centers in the Czech Republic, Hungary, Poland, Russia and Argentina and our 1,000 gaming operations in a total of 31 countries all over the world.

# Foreword by the Founder and Majority Shareholder

The dynamics of our industry, however, barely gives us time to take stock. For exciting times lie before us. By working intensively on the development of new technologies, for instance in the area of remote gaming, we seek to further strengthen and continuously expand our new, third business segment as content providers for licensed third party providers on the Internet.

Last year in this publication, I stated my belief that – in economically difficult times – it was far more important to ensure jobs than to focus on short-term profit maximization. I am utterly convinced that this investment will pay off handsomely in the full and dedicated commitment and creativity of our employees, and I can therefore look to the future with confidence, assured of the fact that the most important decisions companies must make always have to do with people. This is why the NOVOMATIC family – which has grown to 17,000 members worldwide over the previous year – has been and always will be our most valuable capital: its members continue to impressively demonstrate their expertise and skills every single day.

Gumpoldskirchen, April 2011

A handwritten signature in blue ink, appearing to read 'J. Graf', is positioned above the name of the founder.

**Professor Johann F. Graf**  
Founder and Majority Shareholder





DI Ryszard Presch

Dr. Franz Wohlfahrt

Mag. Thomas Graf

Mag. Peter Stein

### Dear Customers and Business Partners:

In the course of fiscal year 2010, the global gaming industry, still in the aftermath of the serious financial and economic crisis, once again saw clear signs of economic recovery which are also reflected in NOVOMATIC AG's business performance as record-breaking sales figures in the previous fiscal year.

In the more strongly impacted markets, we took appropriate action in good time, lowered costs, optimized locations, and are now forging ahead with renewed energy and some fascinating new projects.

Recently, a favorable trend has also become apparent in Austria, where the enforcement of the latest amendments to gaming laws has provided a firm legal basis with which to ensure that market participants engage in responsible business activities. Regulatory policy now places even more emphasis on gamer protection – particularly where slot machines are concerned. In accordance with the pending licensing procedures, NOVOMATIC will from now on be contributing its globally proven expertise in the responsible and successful management of gaming operations to the domestic market, as well.

The appointment of Mag. Thomas Graf, company founder Prof. Johann F. Graf's eldest son, as NOVOMATIC AG's new CTO is an important signal to our customers and guests that we are determined to make tomorrow's gaming visions accessible to them today. Through the intensive development of new technologies such as networking systems and in the area of remote gaming, we are increasingly focusing on expanding even further the third business segment which we have already established, in which we act as a content provider for licensed third-party providers. The range of our most successful games now being available as Smartphone applications, for example on Apple's iPhone, also addresses a promising new market for mobile devices.



# Foreword from the Board of Management

In January 2010, we took advantage of the favorable capital market environment and issued Austrian domestic bonds in the amount of EUR 200 million. In October, a second tranche of these bonds was issued, valued at an additional EUR 150 million. This security was in high demand, particularly among private investors. The proceeds resulting from the bond sale will be used first to optimize the financing structure, with the aim to provide undrawn credit lines for future investments and acquisitions and, secondly, to finance direct investments and acquisitions.

In its anniversary year, NOVOMATIC once again confirmed its position as one of the leading technology companies in Austria and as an attractive employer with headquarters in Austria. In the context of an Austrian study on brand value, conducted in 2010, NOVOMATIC AG ranked seventh with a brand value of EUR 1.938 billion (2009: eighth place) among Austria's top brands. The fact that we take social responsibility very seriously is documented in the highly detailed section focusing on our corporate social responsibility activities, as well as in our financial report, where we seek to focus the spotlight on our partners in social and cultural initiatives.

Gumpoldskirchen, April 2011



**DI Ryszard Presch**  
COO



**Dr. Franz Wohlfahrt**  
CEO



**Mag. Thomas Graf**  
CTO



**Mag. Peter Stein**  
CFO



GAMBLE AMOUNT  
€3.25

PREVIOUS CARDS

RED

WIN €0.25  
CHOOSE RED OR BLACK



# The World of NOVOMATIC

The NOVOMATIC Group is a globally operating group of companies, one of the largest integrated gaming companies in the world and, in its role as manufacturer and operator, the undisputed number one in Europe. The core of the NOVOMATIC Group is NOVOMATIC AG with headquarters in Gumpoldskirchen, south of Vienna, Austria.

As a manufacturer with a wide range of different business areas, the NOVOMATIC Group covers the entire spectrum of the gaming market. It develops, manufactures and markets high-tech gaming equipment as well as innovative system solutions. Furthermore, the company has recently enjoyed great success in its third and newest area of business as a content provider, offering games to licensed online and offline providers in regulated markets.

## More than 165,000 gaming machines operated in 1,000 gaming facilities

In its role as an operator, NOVOMATIC additionally operates – either on its own or via rental models – more than 165,000 gaming machines in around 1,000 electronic casinos, casino operations and sports betting outlets worldwide.

In 2010, Austrian Gaming Industries GmbH (AGI), the Group subsidiary responsible for research, development, sales and marketing, managed impressively to assert its position as one of the world's market leaders in the area of electronic multi-player systems and attractive and interactive games, even against the backdrop of the difficult economic environment. The company would never have been successful without the vision which NOVOMATIC founder Johann F. Graf developed 20 years ago, which combines the appeal of classic live games with the possibilities offered by cutting-edge technologies.

The solid foundation for the global success of NOVOMATIC products is a research and development budget that is well above the industry average. This innovative edge is secured by more than 1,000 intellectual property rights such as trademarks, patents and designs, and is further developed in the Group's seven networked competence centers located in Germany, Hungary, the Czech Republic, Poland, Russia and England, all of which are closely connected with the eighth and most central competence center, the Group's own R&D headquarters in Gumpoldskirchen.

## Innovative gaming equipment exported to 73 countries around the globe

According to latest figures, the Group's technological lead in the production of innovative gaming equipment is marketed in 73 countries around the globe through a powerful sales organization. The Group's gaming devices are licensed in more than 40 countries around the world and marketed together with the equipment for electronic casinos by NOVOMATIC subsidiaries located in 31 countries. In another eleven countries the Group collaborates closely with powerful distribution partners. All those involved live up to the Group's slogan: "NOVOMATIC leads, others follow."

The utmost priority is placed on the principle of only engaging in activities in regulated markets with a clearly defined legal and regulatory environment.

The formula for success that has made NOVOMATIC one of the industry's top players worldwide is based on the expertise and creativity of its employees along with the driving force of its company founder and majority shareholder, the industrialist Prof. Johann F. Graf.



Products made by NOVOMATIC are distinguished by the highest possible standards of quality as well as by a production process that is over 90 percent vertically integrated. This means that almost all components, from cabinets, wiring harnesses and PCBs (the intelligent heart of every gaming machine) to the company's own successfully developed games, are manufactured within the Group. Such a production process offers considerable advantages to customers, since all components are subject to strict and continuously applied quality control procedures.

The outstanding level of quality and the high degree of vertical integration also guarantee our customers maximum flexibility. Even when producing only small batches, it becomes possible to address customer-specific requirements right down to the last detail. The Group's innovative range of products, excellent market knowledge and outstanding service at gaming facilities ensure an overall offering has been capable of satisfying its customers and guests for 30 years running.

### The highest-turnover casino operations in Germany and the Czech Republic are run by the Group

During late January in London, at the world's most important gaming trade fair, the "International Gaming Expo 2010" (IGE), Austrian Gaming Industries GmbH presented a whole series of new products. In addition to the new cabinet series NOVOSTAR® SL and the latest games, a modern server-based gaming platform also made its first appearance.

This server-based video lottery terminal (VLT) offers operators all the benefits of server-based gaming while simultaneously ensuring maximum security in operation. NOVOMATIC VLTs allow operators to configure individual game mixes via a cen-

tral server at several locations in order to satisfy the respective preferences of their guests. The required option of a direct interface for use by the relevant authorities is also available.

The two German subsidiaries NSM-LÖWEN Entertainment GmbH and Crown Technologies GmbH both participated quite successfully in the German trade fair IMA 2010, which took place in Düsseldorf.

### Greentube acquisition marks further expansionary step towards New Media diversification

In 2010, Astra Games Ltd., which belongs to AGI, acquired a majority stake in Vienna-based online games and platform developer Greentube. Greentube I.E.S. GmbH is specialized in the development of online gaming solutions, and has gained an excellent reputation in the area of browser-based skill games. Based on B2B business models, Greentube provides gaming technology to more than 30 partner websites. The acquisition by Astra is a strategically important expansionary step towards diversification in the New Media field.

The company's twofold strategy of being both producer of state-of-the-art gaming equipment and an operator of gaming facilities, electronic casinos and sports betting outlets has proven to be a significant advantage in a market environment that in some respects is still quite difficult. Thanks to these synergies, the adverse impact of the economic crisis on sales and results was mitigated to a certain extent. In general, the overall condition of the Group's markets in 2010 was still marked by the aftermath of the global economic crisis, at least during the year's first half. Some countries in Eastern Europe were affected more severely than others.



Alongside the most profitable casino operations in Germany (in Berlin) and the Czech Republic (in Hatě), the Group's international gaming operations also include one of the most profitable casino operations in Switzerland (in Mendrisio), Latin America's largest casino resort (in Chile), Europe's largest betting casino, Casino Admiral Prater in Vienna, as well as the 203 locations of Admiral Sportwetten GmbH, the sports betting provider with the highest number of outlets in Austria.

During the previous year, the Group had managed to gain a foothold in the Italian market where, as a result of Italy's tightening legal framework, no fewer than 57,000 centrally networked video lottery terminals (VLTs) were introduced. With nine of the ten concessionaires, NOVOMATIC has concluded long-term supply agreements for VLTs and is currently producing and delivering 22,000 VLTs in an initial phase.

### **The Dragonara Casino in Malta holds a market share of nearly 50 percent**

As part of the NOVOMATIC Peninsular Consortium, NOVOMATIC's subsidiary AGI received a ten-year concession for the operation of the Dragonara Casino on the Mediterranean island of Malta in 2010. This casino offers its guests more than 250 gaming machines as well as 23 live tables, and it already commands just under 50 percent of the Maltese market.

During this celebratory year, its 30<sup>th</sup> year of existence, NOVOMATIC AG has managed to further strengthen its position as one of the leading technology companies in Austria and to reconfirm its status as an attractive employer headquartered in Austria. In a 2010 Austrian study on brand value, NOVOMATIC AG ranked seventh among the top Austrian brands with a brand value of EUR 1.938 billion (2009: eighth place).

In January of 2010, NOVOMATIC issued an Austrian domestic bond with a volume of EUR 200 million. In October 2010, the second tranche of the bond with a volume of EUR 150 million was issued. These securities were in high demand, particularly among private investors. The proceeds will be used first for optimizing the financing structure with the aim of creating undrawn credit lines for future investments and acquisitions, and secondly for direct investments and acquisitions.

### **Gambling addiction prevention campaign stepped up once again**

During the year under report, the Group once again stepped up its information campaign focusing on gambling addiction prevention. Besides expanding its internationally interlinked Responsible Gaming competence centers, the Group's new regional gambling addiction prevention representatives from all over Austria, appointed the previous year, took part in further intensive training courses held by renowned experts on the problems of pathological gambling. Given the great importance of this issue, these training courses have been implemented as an integral part of the Group's worldwide internal training program.



gaming

internet gaming

system

remote gaming system

# NOVO

remote gaming

Golden Sevens

1000000



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Reiko

ines

ation

Reiko

Reiko

# The Strategy

NOVOMATIC AG is a globally operating, integrated gaming group that manufactures innovative gaming equipment, operates over 1,000 gaming facilities and is oriented towards continuous, controlled, sustainable and responsible growth.

The Group is determined to continue pursuing this strategy consistently over the coming years. In addition to the member states of the European Union, its core markets include Central, Eastern and Southeastern Europe where, thanks to its very early market entry, NOVOMATIC has already established an excellent market position.

## Competitive edge thanks to the dual role of manufacturer and operator

Markets with promising growth prospects over the long term, specifically those in Latin America and in Asia, continue to offer additional highly profitable opportunities for development. Central to the Group's future prospects is its position as a highly innovative trendsetter in the research & development of state-of-the-art gaming equipment.

The competitive edge to be had from being both a producer and an operator, and from having seven research & development competence centers interlinked with Group headquarters, was recognized early on; this led to the establishment of the new R&D center at the Group headquarters in Gumpoldskirchen in Lower Austria.

NOVOMATIC created technologies such as server-based gaming very early on, and – as a pioneer of the gaming industry – it was quick to integrate these into its product range. Alongside producing gaming equipment and operating both traditional and electronic casinos, the Group recently introduced a highly successful third business segment: additional

revenues are being generated via cooperative projects in which the Group acts as a content provider for Internet and telecommunications providers in regulated markets.

## A responsible approach to gaming is central to the Group's strategy

Besides developing gaming content for iTV platforms and mobile gaming, the Group also seeks to form strategic partnerships in the area of digital television with partners from the telecommunications or TV sector, insofar as the local legal framework permits.

In the future, NOVOMATIC will be placing more and more emphasis on the development of new business segments, for example by offering cross-border gaming services in accordance with legal harmonization among member states of the European Union, or by cooperating with state lotteries and betting providers.

A central role will be played by the area of Responsible Gaming, for which the Group has developed one of Europe's most advanced gambling addiction prevention concepts for facilities with slot machines. Its central points include comprehensive information, collaboration with internationally renowned experts and addiction research facilities, and a competent network of non-profit self-help groups.





WINNER PAID £1.00  
GAME OVER.  
PLACE YOUR BET

327.50

£1

HELP  
SUPPORT  
SUPPORT BY HELPLINE  
0845 6000 133  
WEBSITE  
WWW.GAMINGUK.COM

NOTES: £5 £10 £20 £50

START  
TAKE WIN



SMOKING IS BANNED IN ALL AREAS OF THE PREMISES  
SMOKING IS BANNED IN ALL AREAS OF THE PREMISES  
SMOKING IS BANNED IN ALL AREAS OF THE PREMISES



SUPPORT BY HELPLINE  
0845 6000 133  
WEBSITE  
WWW.GAMINGUK.COM



# Gaming Machines

The wholly owned NOVOMATIC subsidiary Austrian Gaming Industries GmbH (AGI) is the Group's manufacturing flagship and has for many years now been the world's market leader in the area of interactive live games and multi-player systems.

Furthermore, AGI has also long been the undisputed technology leader in the production of ultra-modern and innovative gaming machines. All of the Group's new developments undergo thorough test runs in the Group's various casino operations and electronic casinos prior to market launch. Such rigorous field testing guarantees that the only developments to reach the market are technically mature and have already proved their attractiveness to guests in practice.

## International product presentation covered all areas of gaming

At the most important gaming exhibition in the world, London's "International Gaming Expo" (IGE) 2010 in late January, AGI once again presented a whole string of novelties. The product presentation covered all aspects of gaming and demonstrated the Group's technological focuses in a manner that was as striking as it was varied: traditional gaming machines (slots), exciting jackpot installations and leading electronic multi-players based on NOVO LINE™ Novo Unity™ II.

Alongside the new cabinet series NOVOSTAR® SL and the latest games, a new server-based gaming platform was also introduced. Its server-based video-lottery solution based on NOVO LINE™ VLT offers the operator all the advantages of server-based gaming while providing the highest level of security during operation.

NOVOMATIC VLTs enable operators to configure their own game mixes via a central server at various different sites,

allowing them to address the specific preferences of their guests. Furthermore, the option of the required direct interface to authorities is also available.

## AGI game classics feature clearly improved user-friendliness

With its new Ultimate™ 10A, NOVOMATIC also introduced a highly cost-efficient multi-game solution based on the new Coolfire™ I+ platform. The Coolfire™ I+ platform was developed specifically for the purpose of optimizing the performance of the popular Gaminator® cabinet.

A growing number of internationally successful game classics produced by AGI as well as new games are already available for Coolfire™ I+; alongside enhanced graphics, they offer guests clearly improved user-friendliness thanks to features such as multi-denomination and individual language selection.

Other novelties presented at IGE in London included the innovative Flexi-LINK Jackpot Systems produced by Australia-based Independent Gaming Pty Ltd., with which NOVOMATIC has had a successful partnership for several years running: these systems include Flexi-LINK 4-Level Mystery Jackpot and the brand-new Flexi-LINK Community Jackpot System.



# Research & Development

NOVOMATIC subsidiary Austrian Gaming Industries GmbH (AGI), for many years now a pioneer and trendsetter in the global gaming industry, will continue to be at the forefront of actively shaping our technologically evolving industry in the years ahead. The Group's eight international, interlinked competence centers, a steadily growing portfolio of more than 1,000 intellectual property rights in the context of a consistent policy pursued to protect intellectual property, and higher-than-average investments in research and development are the fundamental pillars of the Group's established technological edge. In the future, these will continue to be the driving force – not only to maintain the Group's pioneering role in the design and development of high-quality gaming equipment, but also to further expand it.

## AGI impresses with top-quality solutions and state-of-the-art technology

Besides attractive new games in the segments of single and multi-games and in the multi-player segment, combined with latest-generation state-of-the-art hardware technology, it is in particular innovative software solutions – such as in the area of interlinked, modular central-server architectures – that will be a crucial success factor for the company. Video-lottery technologies including the interface to the regulatory authorities, fixed odds and real-time betting systems that allow users to place bets during the course of the event, intelligent remote, online and mobile gaming solutions as well as community gaming, which is becoming more and more popular, are just a few of the areas where AGI will soon be convincing its customers with top-quality solutions. In its role as innovative spearhead, AGI will also be helping to shape the continuing trend towards server-based gaming. And in pursuing a modern approach to gamer protection, the company always ensures that its new developments are also designed with social responsibility in mind.

In this regard, novel software solutions incorporated into the systems and products not only meet but even exceed the statutory requirements of regulatory and financial authorities regarding transparency and the customers' needs for optimization of the product mix during ongoing operation. And with the intensive development of new remote gaming technologies, the Group is determined to further strengthen and expand its new third business segment in the Internet business – for example as content provider for licensed third-party providers.

## Greentube ports the NOVOMATIC Group's very own game portfolio

The subsidiary Greentube Internet Entertainment Solutions GmbH, based in Vienna, leads the way in porting game content produced by UK-based Astra Games Ltd. and AGI on the company's own platform for further integration with licensed portal operators, while also continuing with its successful NRGS business model (Remote Gaming Content Deployment). The option of selective integration of third-party provider content as well as an extensive in-house game portfolio of the NOVOMATIC Group in all product segments (gaming verticals) – casino, slots, poker, skill games, sports betting and bingo applications as well as classic skill games and 3D skill games such as Ski Challenge in the area of B2B – attest to the outstanding expertise of Greentube in the remote gaming market and its belief in offering its customers nothing less than best-of-breed gaming content.

A future addition to the company's product range in the market for mobile devices will also be Smartphone application releases of the most successful games – for example for Apple's iPhone.





**NOVOSTAR X**

Club  
€1.00

# Production

When it comes to the production of their innovative gaming equipment, the Novomatic Group's manufacturing flagship Austrian Gaming Industries GmbH (AGI) – and all of the other international production subsidiaries – have always upheld a tradition of placing great emphasis on superior workmanship.

In addition to maintaining sophisticated research and development activities, the Group does justice to this standard with its eight interlinked competence centers located across Europe; there highly qualified employees ensure superior quality standards beginning in the development phase and continuing on through all subsequent production processes.

## All components are subject to continuous and stringent quality control

Not surprisingly, products bearing the NOVOMATIC brand are distinguished by their renowned quality and a level of vertical integration of more than 90 percent, which is well above the industry average. This means that almost all NOVOMATIC gaming equipment components are manufactured within the Group – from cabinets to wiring harnesses and the PCB, the intelligent heart of every gaming machine, all the way to the company's own exceedingly successful self-developed games.

This particular method of production is of considerable benefit to customers because it ensures that all components are subject to continuous and rigorous quality control procedures. The superior quality and high degree of vertical integration also guarantee NOVOMATIC customers maximum flexibility. In the production of small batches, for instance, this makes it possible to address customer-specific requirements and needs in a way that is individualized and exact.

This production process is even capable of responding to changes in a particular country's evolving legislative and regulatory environment at very short notice.

To secure this innovative edge, NOVOMATIC was quick to erect state-of-the-art production sites. In 2009, a modern overall complex was opened at the Group's headquarters in Gumpoldskirchen, south of Vienna. Here, both research and development activities and the company's production processes are pursued based on the latest technological findings.

## All the Group's production sites benefit from recent continual investment

Over the past years, money has also been spent continuously on a series of other production sites belonging to the Group: the Group invested in its UK-based subsidiary Astra Games Ltd. in Bridgend, Wales as well as in its German subsidiary Crown Technologies GmbH in Rellingen, where the construction of a new complex of buildings was completed in order to bring together development, production and administration.

Other subsidiaries – including NSM-LÖWEN ENTERTAINMENT GmbH and AGI subsidiary AGI Hungaria Kft., which produces all of the Group's wiring harnesses and has been doing very well following expansion of its production capacities near Sopron in Hungary – likewise possess state-of-the-art manufacturing facilities which live up to the entire Group's slogan: "NOVOMATIC leads, others follow."



# NOVOMATIC

GROUP OF COMPANIES



# Sales

Global distribution of the entire product spectrum is integral to the NOVOMATIC Group's success. The Group's own sales system is based on three tried and proven pillars: the direct activities of the NOVOMATIC manufacturing companies, headed by Austrian Gaming Industries GmbH (AGI), the direct sales generated by the headquarters in Gumpoldskirchen and international Group locations, and regional distribution partners which are selected with the utmost care.

Sales activities during the reporting period were intensified, particularly in Central and South America as well as in Asia. In 2010, the markets in Mexico and Argentina evolved from merely promising new areas to become real sales markets.

## Sales activities intensified particularly in Latin America and Asia

The NOVOMATIC Group's sales activities cover the sale and rental of products as well as the provision of gaming services across the entire Group; these are exported to 73 countries worldwide.

The Group's gaming devices, which are licensed in more than 40 countries all over the world, are sold, together with the equipment for electronic casinos in NOVOMATIC locations spanning 31 countries. In another eleven countries, the Group collaborates closely with selected distribution partners.

One distribution channel which has turned out to be crucial over the past few years is the Group's presence at the major international gaming trade fairs. The 2010 trade fair calendar was once again dominated by the world's most important gaming trade fair, the "International Gaming Expo" (IGE) held in January in London; this event has established itself firmly as the industry's most important professional trade fair in the

entire business year – for the NOVOMATIC Group and for other industry players, as well.

Further influential trade fairs included the ELA Mexico in Mexico City in May, the G2E Asia in Macao in June, Argentina's SAGSE Buenos Aires in October and, as the final highlight of the year's trade fair calendar, the G2E in Las Vegas in November.

## Establishment of subsidiaries turns mere markets into true domestic markets

Participating for the second time in the ELA Mexico, held in Mexico City, enabled the Group to establish some important contacts for the local market, resulting in significantly increased sales by the end of the year: in Mexico, the Group succeeded in making new customers of the country's most important casino operators.

In South America, the Group's long-term strategy of turning promising markets such as Chile, Peru, Paraguay or Argentina into true "domestic markets" by founding subsidiaries proved to be the right decision.

At the G2E Asia in Macao, important deals were concluded for Asian markets such as the Philippines, South Korea and Singapore. And finally, the G2E in Las Vegas also proved to be a success despite the tense economic situation thanks to the presence of many foreign trade fair visitors.





Lucky Lady's Charm™

A

Q

9

CREDIT €  
11,15

WINNER PAID

GAME OVER.  
PLACE YOUR BET

Lucky Lady's Charm™



# Casino Operations, Electronic Casinos and Sports Betting

The NOVOMATIC Group currently operates over 1,000 electronic casinos, gaming facilities and sports betting outlets worldwide. The number of gaming machines operated in the Group's own gaming facilities as well as via rental arrangements grew during 2010 to include more than 165,000 units.

Alongside the most profitable casino operations in Germany (in Berlin) and the Czech Republic (in Hatě), the Group's operating division also includes one of the most profitable casino operations in Switzerland (in Mendrisio), the largest resort casino in Latin America (in Chile), Europe's largest betting casino (Casino Admiral Prater in Vienna) and Admiral Sportwetten GmbH, Austria's betting provider with by far the largest number of outlets (203) and a market share of over 50 percent.

## German Extra Games reports best year ever

The NOVOMATIC subsidiary Austrian Gaming Industries GmbH (AGI) succeeded in asserting its position as the leading operator of electronic casinos and casino operations in the markets in Central, Eastern and Southeast Europe, despite the market environment's still being extremely difficult in some places.

Extra Games Entertainment GmbH, a subsidiary based in Pfullendorf in the German federal state of Baden-Württemberg that focuses on the operation of AWP arcades in Germany, reported very pleasing performance. The number of arcades in the year under report rose from 183 to 200 locations. As a result, 2010 turned out to be the best year in the entire history of Extra Games. Group subsidiary BPA Freizeit & Unterhaltungsbetriebe GmbH runs a further 24 AWP gaming operations in southern Germany.

Having gained a foothold in Europe's largest gaming equipment market (with over 400,000 gaming machines) by ma-

king several acquisitions in 2009, Italy-based NOVOMATIC subsidiary Adria Gaming International S.p.A. finally scored its breakthrough by launching a distribution model for more than 22,000 centrally networked video lottery terminals (VLTs) in the year under report. Adria Gaming and further subsidiaries now operate a total 45 amusement arcades in Italy.

## Dragonara Casino on the Mediterranean island of Malta captures 50% market share

In 2010, as part of the NOVOMATIC Peninsular Consortium, AGI received a ten-year concession to operate the Dragonara Casino on the Mediterranean island of Malta. The consortium – consisting of AGI and its local partners Pinnacle Gaming Group and Bianchi Group – offers its guests more than 250 gaming machines as well as 23 live tables, and has already gained a market share of almost 50 percent on Malta.

In 2010, the NOVOMATIC Group's involvement in international casino operations was still affected to varying degrees by the aftermath of the financial and economic crisis, as well as by the effects of the smoking bans imposed in certain jurisdictions.

The Group's gaming locations offering live games include the Swiss casino operations in Mendrisio, Locarno and Bad Ragaz, the Casino Admiral Colosseum in Hatě, which is has the highest turnover of any casino operation in the Czech Republic, the six casino operations belonging to Germany's SIM Group with the leading casino operation in Berlin, and Monticello Grand Casino & Entertainment World in San Francisco de Mostazal south of the Chilean capital of Santiago de Chile, which is Latin America's largest resort casino.



The casino complex that resumed operating in late June following the occurrence of the February 2010 earthquake in Chile covers a total area of 15,000 square meters and features 1,500 gaming machines, 80 live tables, a bingo installation for 300 guests, and a five-star hotel as well as a conference center and shopping and entertainment areas. Sales have developed very well following its reopening.

In Peru, the subsidiary Crown Gaming Peru runs 13 gaming operations. The operations belonging to AGI Africa were able to achieve 2010 sales and earnings results similar to those of the previous year.

**The crisis was used as an opportunity to capture a markedly improved position in the market**

In Eastern, Central and Southeast Europe, certain gaming operations reported slumps in sales and results due to the continued economic downturn in various countries (for example in the Baltic states) and tightening regulatory environments. The affected gaming operations implemented cost-cutting measures in a timely manner, thus seizing the opportunity presented by the crisis to optimize locations and considerably strengthen the Group's position in the market.

In Latvia, for example, the 120 gaming operations engaged in consistent optimization of their locations, leading in turn to stable results. Ultimately, the withdrawal of competitors resulted in a strengthened position in the context of the overall market.

In Croatia, the Group's expansion was slowed markedly by the effects of the economic crisis and by the smoking ban introduced in March 2010. In Hungary, 13 electronic casinos are

currently operated by AGI subsidiaries. In Belarus, an AGI subsidiary managed to achieve the sales figures and results similar to those of the previous year. In Russia and in the Ukraine, on the other hand, the legal bans on gaming that were imposed in 2009 remained in effect.

**Admiral Sportwetten further strengthened its position as the sports betting provider with the largest number of outlets**

In Slovenia, the new Hotel & Casino Resort Admiral in Kozina that commenced operations in December 2009 has established itself well. This resort, which lies in close proximity to the Italian and Croatian borders, offers its guests a casino with slot machines and fully automatic roulette systems, as well as a modern four-star hotel.

In Romania, the number of locations was sharply reduced. Acquisitions initiated ahead of the economic downturn increased the market share of AGI subsidiaries, however, which in turn led to a noticeable shakeout and consolidation of the market.

In Albania, subsidiaries succeeded in increasing sales. In August, the acquisition of amusement arcade chain Astra Albania Sh.A further strengthened the Group's position in the market. As a result of this takeover, the number of electronic casinos rose to 70.

In the gaming markets of Bulgaria, Serbia, Macedonia and Montenegro as well, which are still in the process of being established, cost-optimizing measures were implemented in order to secure sustainable results in the long term. These are already beginning to take effect.



### **NOVOMATIC subsidiary HTM runs 83 outlets in Vienna and another 38 outlets in Lower Austria**

In Austria, AGI's gaming operations – led by Casino Admiral Prater in Vienna – managed to do very well in a very difficult market environment by pursuing an organic strategy of growth. Sales figures and results improved slightly over the previous year.

In 2010, AGI subsidiary Admiral Sportwetten GmbH increased the number of its outlets (including partner outlets) from 195 to 203, further strengthening its position as the sports betting provider with the largest number of outlets in Austria.

In part due to a large sports event, the FIFA World Cup in South Africa, Admiral Sportwetten managed to increase its sales slightly in 2010, thus continuing its successful business development. In Italy, following the acquisition of a betting operator, the company's market position in the betting operation segment was further strengthened – Admiral Sportwetten now owns ten betting outlets for sports and horse racing.

During the period under report, NOVOMATIC subsidiary HTM Hotel und Tourismus Management GmbH had a total of 83 (2009: 81) outlets in Vienna, 32 of which also offer catering services. At all outlets, gaming machines are operated within the scope of the gaming regulations enacted by the respective Austrian province.

In the wake of the regional legislation on slot machine gaming introduced by the Austrian federal province of Lower Austria in 2006, the number of outlets operated as part of the Admiral entertainment concept increased once again during the year under report to 38 (2009: 34). Admiral Sportwetten offers its

services in 37 of the 38 outlets. Additionally, HTM runs the four-star hotel Admiral am Kurpark in the spa town of Baden near Vienna.

### **The Group continues implementing a variety of measures to further strengthen gaming operations**

In 2010, Wett Café Betriebsgesellschaft m.b.H., a wholly owned subsidiary of HTM, had 31 outlets (2009: 32) in Styria, where gaming machines are operated and sports-betting is offered within the scope of provincial gaming regulations. 27 of these outlets are operated in the style of "Café Admiral Sportwetten".

As gaming behavior is expected to remain negatively affected to some extent by the economic crisis in 2011 as well, despite a number of favorable signs, various measures will continue to be taken (increased range of services, countercyclical investments in the expansion of gaming operations, cost-cutting programs and location optimization) in order to strengthen operations in particularly affected markets.





# Employees

NOVOMATIC's success would never have been possible without the creativity, the commitment and the service orientation of its employees. In the year 2010, there were 10,544 employees at NOVOMATIC AG (2009: 10,331; 2008: 8,865). Included in this figure are the 830 employees working at the Group's headquarters in Gumpoldskirchen (2009: 761). The growth trend of the past few years was continued throughout fiscal year 2010. 75 percent of newly created jobs were generated in Austria.

Being a globally active Group, diversity, individuality and the staff's cross-cultural orientation give NOVOMATIC a competitive edge. Diverse perspectives as well as different kinds of knowledge and experience are essential to innovation and creativity.

## In Austria, the percentage of women is well above average at 37.6 percent

This approach is also reflected in the Group's personnel structure. In Austria, the percentage of women is well above average at 37.6. The average employee age is 37.0, and 7.7 percent are university graduates. 22.8 percent of the employees hold a foreign citizenship, while many more have a migratory background. As the Group's long-term success depends on the achievement potential and qualifications of its employees, NOVOMATIC offers its staff a wide range of continuing education options and training schemes.

In doing so, NOVOMATIC always takes care to bring the company's requirements in line with the employees' personal goals. Over the past fiscal year, we launched an internationally oriented trainee program aimed at young university graduates who will receive experience in all of the Group's core business areas.

## Due to its great success, the trainee program will be expanded in 2011

In doing so, it is essential to ensure that these trainees will also be employed in production and at our gaming operations to ensure that the trainees actually stand behind the Group's mission statement and are given a chance to get acquainted with the business's operating segment. Due to its great success, this twelve-month trainee program will be expanded for 2011.

In 2010, the main focus of the Group's training and further education efforts was on participants' acquisition and maintenance of qualifications, as well as the continued development of our addiction prevention representatives' skills and capabilities: detailed knowledge about the nature of gambling addiction and the ability to deal with at-risk individuals in a competent manner are essential elements of effective gamer protection. With the establishment of the Novo Academy, it is our intention to make a vital contribution towards the realization of this quality objective. In 2010, the Group also began implementing a Group-wide Intranet platform.

NOVOMATIC also offers its employees flexible working hours which afford employees the opportunity to reconcile their work and their private interests in the best possible way. A forward-looking and family-friendly personnel policy also makes it easier for women and men to return to work after having been on maternity leave.





Casino  
regulatory  
authority

Our Ref: NMO090707-0001

10 February 2010

UNBESANDER

22 Feb. 2010

DID : (65) 65017100  
FAX : (65) 62730911  
Email:

CRA\_Licensing@o

Austrian Gaming Industries GmbH  
158 Wiener Strasse  
Gumpoldskirchen 2352  
Austria  
Attn : Mr. Sabine Stoppel  
Compliance Manager

Dear Sirs

**APPLICATION BY AUSTRIAN GAMING INDUSTRIES GMBH (THE  
APPROVAL OF MANUFACTURER AND SUPPLIER OF GAMING  
REGULATION 5(2) OF CASINO CONTROL (GAMING EQUIPMENT) F  
(THE "REGULATIONS")**

We refer to the application dated 1 July 2009 (the "Application")  
the Casino Regulatory Authority of Singapore (the "Authority")  
manufacturer and approved supplier of gaming machines for use in an

2. Pursuant to regulation 5(2) of the Regulations, the Author  
Application and hereby approves the Company to be an app  
approved supplier subject to the General Conditions of Approval set  
to this letter (the "Approval Letter").

3. Without prejudice to paragraph 2 above, the following are  
approval:-

- a. the Company must comply with the quality manage  
submissions dated 4 December 2009 and 18 Janu  
the Company (the "Quality Management System");
- b. the Company must notify the Authority within 14 d  
to the Quality Management System that affects t  
Company to manufacture, install, test, inspect  
machines in accordance with technical standards;
- c. the Company must carry out annual audits of th

40 Alexandra Road PSA Building #01-01 Singapore 119963 T (65) 6501 7000 F (65) 6273 0911 E

  
Director of Regulation

# Regulatory Environment

NOVOMATIC AG always gives the utmost priority to its principle of offering products and operating gaming facilities exclusively in regulated markets that have a clearly defined legal and regulatory operating environment. It follows that the highest possible degree of legal certainty represents a central, fundamental principle underlying the business transactions engaged in by the entire Group. NOVOMATIC advocates social responsibility and strict legal regulations at both the national and international levels.

In the European Single Market, gaming is still the only market segment that is not governed by Community law within the Member States. In concert with numerous findings of the European Court of Justice over the past few years, NOVOMATIC therefore demands and advocates the fastest-possible harmonization of European gaming laws in the form of a special gaming directive – particularly with regard to Internet gaming – and therefore welcomes the European Commission's initiative as per the Green Paper (Green Paper on Online Gambling in the Internal Market).

The aim must be to formulate carefully defined and controlled regulations for cross-border online gaming that provide for transparent licensing procedures and the highest possible security standards, along with regulations for gamer and consumer protection. The various pieces of national legislation should then be adapted to the new framework as quickly as possible in order to do justice to the technological developments of the past few years. Such regulations are necessary to prevent billions in betting revenues from flowing out of the EU each year via the Internet.

NOVOMATIC expects the reform process in the European Community to take another few years and regards the intended EU-wide regulation as an opportunity for further expansion:

today, the Group already complies with all of the high standards that will be required of a concessionaire under future regulations. NOVOMATIC is convinced that systematic and coherent regulation – combined with the necessary information campaign regarding the creditworthiness and reliability of providers and services – will lead to additional tax revenues and proceeds for non-profit organizations, specifically cultural, sports-related and social initiatives in the EU Member States.

## Regulatory environment also expected to change significantly in other countries

Positive development in this regard was observed in Austria. The latest amendment to the Austrian Gambling Act has given business transactions between market participants a legal and regulatory basis that emphasizes gamer protection, particularly where slot machines are concerned. Effective legal measures were put in place against illegal gaming. For NOVOMATIC, the changed regulatory conditions in Austria offer excellent opportunities to better participate in the domestic market, where the Group's global headquarters are located.

The near future is likely to witness major changes to the respective regulatory environments of other countries, as well – particularly EU member states such as Germany, Greece and Spain. Where these markets are concerned, NOVOMATIC will quickly adapt and respond to any changes in the best possible way in order to maintain – or even expand – its role as a provider of responsible gaming.





# Sustainability Report

# Foreword by the Chief Executive Officer

More and more, corporate social responsibility and sustainability are shaping up to be strategic challenges. Instilling and upholding the keenest possible sense of responsibility in a sensitive industry is a goal that we, as a group of companies, strive day-in and day-out to achieve. This CSR report, our third, renders an account of important developments in the company, highlighting our successes and areas of progress as well as critical areas, thereby also indicating our willingness to engage in dialog.

Our longstanding strategic prioritization has proven to be right: realizing and achieving player protection at the highest level is the main challenge faced by our industry. This is evidenced by the constantly increasing requirements of lawmakers; at both the domestic and the European levels. The trend is toward stricter regulations pertaining to games of chance. A significant event for us during the reporting year was the adoption of an amendment to the Austrian Gambling Act, an amendment that represents a crucial step towards improving player protection. NOVOMATIC is responding to this development with pioneering concepts. By investing in the further education of our employees and in modern technical infrastructure, we aim to continue leading the way in the area of player protection. The development of these measures will be a central challenge for NOVOMATIC in the coming years.

While we have engaged in extensive activities in the area of responsible gaming, we can also show substantial progress in other areas. Some other strategic priorities include continuing education and qualification of our employees for future tasks, increased resource and energy efficiency, and the development of a comprehensive management program for our environmentally relevant processes and material cycles. In



addition, we seek to live up to our responsibility as a key domestic and regional economic factor by continuing to be a dependable partner for social and cultural initiatives.

With the audit of our CSR report by an independent, external partner and our orientation toward the guidelines of the Global Reporting Initiative, we are making a clear statement about the importance of the sustainability report and endeavoring to further the quality of our reporting.

NOVOMATIC views CSR as a strategic challenge – because living corporate social responsibility should be a gain for both the company and its stakeholders.

Dr. Franz Wohlfahrt, CEO NOVOMATIC AG

# Our Stakeholders and Partners

## Our CSR Mission Statement

In our previous report, we published a CSR mission statement. The principles detailed therein are intended to serve as guidelines on how to act in all our business activities, and these principles will continue to grow and evolve with our company. The CSR mission statement is published on our website at [www.novomatic.com/de/corporate\\_information/social\\_responsibility](http://www.novomatic.com/de/corporate_information/social_responsibility).

## Our Stakeholders

Dialog with our stakeholders provides us with invaluable feedback on our business practices. For this reason, in the following chapters we would like to give some of our partners – who are representative of NOVOMATIC's many stakeholders – the chance to express themselves, and have asked them to provide commentary. Gambling addiction experts Gabriele Fischer and Michael Musalek are represented by their input, as are Peter Lucny, energy expert from the Austrian Energy Consumer Association, and Albrecht Weißl, head of the Lebenshilfe Workshop in Gumpoldskirchen. We make every effort to incorporate diverse opinions into our decisions. You will find an overview of our main stakeholders in the previous report or on the website at [www.novomatic.com/de/corporate\\_information/social\\_responsibility](http://www.novomatic.com/de/corporate_information/social_responsibility).

We define stakeholders as all those individuals and organizations who are directly or indirectly affected by our business activities. We strive to show a willingness to engage in dialog both internally and externally, and have set up numerous lines of communication through which stakeholders can reach us with questions, suggestions and criticism. Furthermore, we do our utmost to address all concerns brought to our attention with openness and transparency.



Photographer Andreas Jakwerth photographed our partners

The feedback of our employees is especially important to us, for which reason last year saw NOVOMATIC create additional communication tools. A quarterly CSR newsletter for employees was initiated, and an intranet platform is currently under development.

## Portraits of our Partners

“A focus on people” – this is the motto of the series of portraits which illustrates the chapters of this year's report. Last year we received a great deal of positive feedback on the Gugging artists. This time we would like to introduce more of our partners from the fields of art, culture, science and sports, and therefore we feature a representative selection of them on the following pages. At the same time, these selected partners represent the focuses of our commitment to sponsorship. Long-term partnerships, such as the one with the Gugging Museum, are important to us – for which reason this portrait series begins with Gugging artist Johann Garber.





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**01 Johann Garber**  
*(born in 1947) has lived and worked at the Gugging House of Artists for 30 years.*

We had the pleasure of opening our very first CSR report two years ago with an artwork by Garber. Since 2009, NOVOMATIC has supported the Gugging Museum as its exclusive sponsor. In this manner, we contribute to making “art brut” (also known as “outsider art”) accessible to the public and to helping the artists achieve social recognition.



# Responsible Gaming

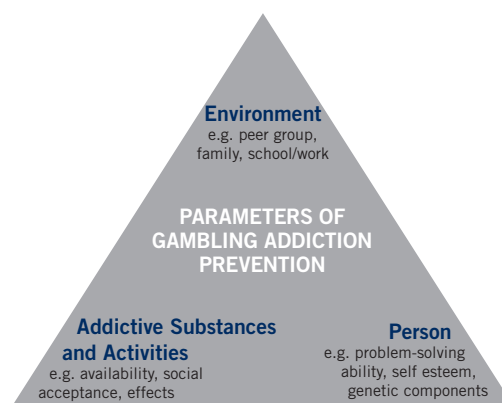
The idea of player protection was firmly anchored at NOVOMATIC from the moment the business was founded in 1980. Ever since, it has been the stated goal of the Group to put the entertainment character of gaming first and foremost. NOVOMATIC seeks to offer its guests high-quality entertainment which stands out thanks to offerings that are both respectable and fair.

Our aim is to provide our guests with top-level entertainment within a safe environment. In doing so, highest priority is accorded to the protection of minors and players and the support of guests by qualified and trained employees. Licensed random generators, guaranteed payout percentages, payout security and protection from manipulation are ensured by having our hardware and software certified and/or licensed by independent, internationally operating testing laboratories. The quality criteria thus established by us frequently exceed the minimum legally mandated standards in the various jurisdictions in which we operate.

## Parameters of Gambling Addiction Prevention

It is an undisputed fact, however, that games of chance also constitute a sensitive service that needs to be dealt with in a prudent and responsible manner by all relevant stakeholders. For our group of companies, responsible gaming means contributing to the early detection and prevention of gambling addiction in order for us to live up to our central mission of helping affected individuals help themselves. The goal of our responsible gaming efforts is always to strengthen our guests' personal accountability and to prevent gambling behavior from developing pathological characteristics. Measures such as information offerings, electronic access solutions, training

activities and cooperation with specialized institutions all contribute to this (for a detailed list of such measures, please see page 48). The goal here is to minimize the potential negative effects of uncontrolled gaming behavior on the affected player and his social circle as much as possible, and wherever possible to prevent such behavior before it develops.



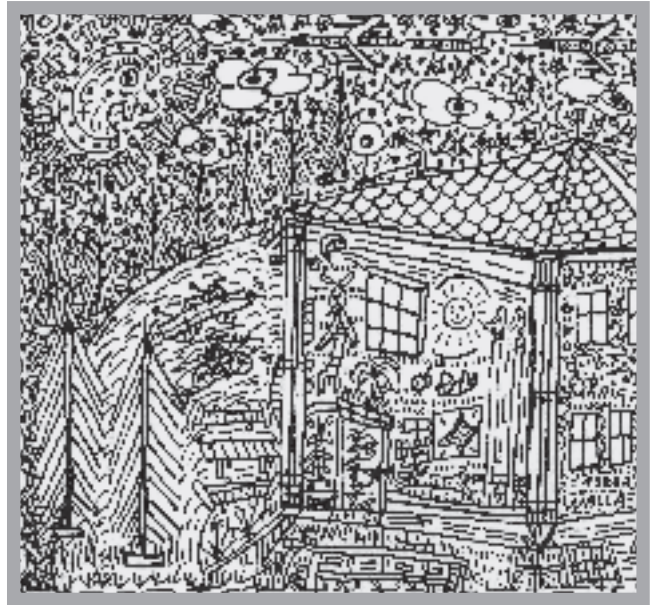
Susceptibility to addictions depends on three main factors

Source: NÖ Suchtplan, 2011–2015 (position paper of the Lower Austrian government on matters relating to addiction), Fig. 1; triangle-concept by Kielholz and Ladewig, 1973

All these measures provide indicators which can make visible any problematic gambling behavior that may be present. We would, however, draw a very clear line when it comes to diagnosing addiction: such diagnosis is the domain of professional clinical institutions and medical experts, and is not a part of our business activities. Even though we regularly evaluate and optimize the efficacy of our preventative measures, we in no way claim any ability to diagnose pathological gambling behavior. Our duty consists in offering support, insofar as we are able, to affected parties.



Johann Garber, Gugging Artist



The topic of addiction is a complex phenomenon concerning and involving all of society, since it is a highly diverse range of factors that contributes to the development of an addiction. Components such as personality, social circumstances, societal conditions and, ultimately, the “substance” or problematic behavior in question, all interact. The high incidence of comorbidities, i.e. the simultaneous occurrence of another disorder (e.g. affective disorders, anxiety disorders or personality disorders as well as addictions to substances such as nicotine, alcohol, medications, cannabis, amphetamines and opiates), is further evidence of the complexity of addictive disorders.

No matter what systems or measures one implements in order to identify problematic gambling behavior, the complexity and the sometimes almost imperceptible visible signs of this disorder make it impossible to identify all individuals susceptible to such a disorder ahead of time. This makes necessary the constructive cooperation of all involved stakeholders. Therefore, we are working together with experts from counseling and treatment institutions, self-help groups and research institutions in order to find a solution to a problem affecting all of society.

Below, we would like, first and foremost, to present the very extensive responsible gaming programme in Austria in which, in many respects, groundbreaking work for the further development of responsible gaming on an international basis is performed. On page 49, we discuss responsible gaming in our international operational markets in greater detail.

## The NOVOMATIC Responsible Gaming Program in Austria

NOVOMATIC views it as one of its most important duties to give its employees, customers and the general public a better understanding of the concept of responsible gaming, while also supporting initiatives and institutions involved in research on and the prevention and treatment of problematic and pathological gambling. This commitment is founded upon the idea of risk minimization. Our responsible gaming program takes a wide variety of steps to achieve this objective.

The informed customer is a crucial component in the concept of addiction prevention: free of charge informational folders published in six languages, extensive information on the topic of addiction on the website [www.gluecksspielsucht.at](http://www.gluecksspielsucht.at), and monitoring and response to enquiries sent to the E-mail address [responsible.gaming@novomatic.com](mailto:responsible.gaming@novomatic.com) all represent important preventative measures in the scope of our responsible gaming program.

Our cooperation with specialized institutions such as the Anton Proksch Institute (Europe’s most modern addiction clinic), the Medical University of Vienna (Vienna General Hospital), Spielsuchthilfe Wien (a counseling and therapy center for addicted gamblers and their families) and institutions in Salzburg and Styria are an essential cornerstone of our responsible gaming programme, as these experts assist us in subjecting our preventative measures to an ongoing “reality check” and provide us with valuable suggestions for the further development of our Responsible Gaming Program.

The Medical University of Vienna's (MUV) "Gambling Addiction Helpline" was launched in November 2006 as part of the Group's responsible gaming program in collaboration with the Medical University of Vienna and headquartered at the MUV's Department of Psychiatry and Psychotherapy. The helpline can be reached at a mobile number (+43 (0) 664/85 69 940) throughout Austria from 8:00 a.m. to 6:00 p.m. on weekdays. Outside these hours, it is possible to leave a message.

The primary mission of the helpline is to reinforce the existing counseling and treatment network in Austria by providing affected persons and their loved ones with information on the disease itself as well as regional treatment options.

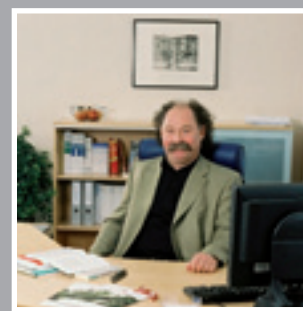
The helpline, under the direction of University Professor Dr. Gabriele Fischer, provides interested and affected individuals throughout Austria with information concerning the following questions:

- » What to do when the topic of gambling becomes a personal burden?
- » At what point is a person actually addicted to gambling?
- » What steps can be taken to treat gambling addiction?
- » What possibilities exist to prevent gaming from turning into a gambling addiction?

Over the course of the reporting year, 273 individuals took advantage of the Helpline's services. Of those, 64.5 percent were affected persons, 34 percent were family members and friends, and the rest were other interested parties. 142 of the affected callers showed up for an outpatient assessment. Just under 80 percent were diagnosed with pathological gambling behavior, while 20 percent had at least a problem with gambling. The average age among the men was 34, while the women averaged 42.

### The NOVOCARD Traffic Light System: Gaming Machines with Access Control

In 2007 NOVOMATIC, as the number one gaming provider in Austria, joined forces with the Medical University of Vienna (MUV) to develop an electronic access system for the effective protection of minors and players for the province of Lower Austria. The NOVOCARD is designed to help effectively protect minors and filter out problem gamblers via the use of ID verification and comprehensive player monitoring.



#### GUEST COMMENTARY

*Prim. Univ. Prof. Dr. Michael Musalek  
Medical Director of the Anton Proksch  
Institute*

The sooner a pathological gambling disorder is diagnosed and treated, the better the prognosis. Early detection of this disease thus plays a crucial role in treatment. Having properly trained, specialized personnel is therefore an unconditional prerequisite for successful prevention and for the treatment of pathological gamblers.



The Anton Proksch Institute is Europe's largest addiction treatment centre.



## **Andreas Beck**

Artistic Director of the Schauspielhaus in Vienna

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**02 Andreas Beck**  
*(46) has been  
artistic director of Vienna's  
Schauspielhaus theater  
since 2007.*

German playwright and theater-maker Beck received the Nestroy Special Award in 2008 for his relaunch of the Schauspielhaus. The Schauspielhaus regards itself as a theater of the contemporary and as an author's theatre in the "classic" sense, and it focuses on recent and ultra-current dramatic works. By supporting the Schauspielhaus and the Nestroy Awards, which NOVOMATIC has done for three years, the NOVOMATIC Group supports contemporary art at the highest level.





The customer registers with an official picture-ID and receives a personalized NOVOCARD. The mandatory nature of this registration makes it possible to clearly identify the customer. The NOVOCARD permits the customer to enter the gaming area through a turnstile – entries into and exits from the gaming area are recorded electronically. Without a valid NOVOCARD, access to the gaming area is not granted.

Every player's playing habits are monitored starting from his or her first visit. The combination of central data storage and the fact that all locations are networked together makes it possible to monitor frequency of play. For each individual player, the electronic database makes it possible to record both the number of days the player is present and the time spent in the gaming area. Customers who stand out, due to their frequency and duration of play, and thus by the intensity with which they play, are made aware of the dangers of excessive gaming by our trained personnel and given a warning. If they continue playing at the same frequency and intensity after an additional observation period, they receive written notification prohibiting them from entering the casino either for a set period or indefinitely. These bans are noted in the central customer database and can thus be implemented at all of our locations in Lower Austria.

This method is a pilot system which has allowed us to gather valuable experience that is incorporated into further development. There is no question for us, however, that this system represents merely an indicator with which to detect problematic gambling behavior based on objective parameters. It can in no way take the place of "social control" through interaction with our employees and other measures. We therefore do not claim to achieve absolute accuracy through this single measure.

Due to the differing legal frameworks effective in Austria's provinces, this system has so far only been implemented in Lower Austria. Our original idea of voluntarily introducing this access system (which goes beyond legal requirements) in other provinces was abandoned for the following reason: due to the absence of legal identification and registration obligations in all the other "permit-requiring provinces," the thus voluntary registration of our customers would not have the desired effect in terms of player protection; instead, it would effect an "exodus" to those providers who do not adhere to this voluntary self-restriction. By introducing the electronic traffic light system, our Group has taken an important step in Lower Austria towards recognizing and identifying problematic players by using objectively comprehensible parameters. The first-ever availability of a valid database and the scientific study thereof play a decisive part in the further development of this system and represent an important, quality-assuring measure. In the course of such evaluations, for example, manual manipulation possibilities were



#### GUEST COMMENTARY

*Prof. Dr. Gabriele Fischer*  
*Medical University of Vienna*

The development of addiction is subject to a dynamic process in a continuum ranging from use to abuse and all the way to dependence. Biological, psychological and social factors condition individual vulnerability, which can be viewed as a predisposition. Evidence is accumulating to substantiate the finding that genetic variables represent a significant risk factor. Whether or not a predisposition ultimately develops into addictive behavior is significantly impacted by unfavorable personal circumstances and contingent on the treatment of comorbidities.

The core problem with the clinical appearance of "pathological gambling" (PG) is the high incidence of concomitant psychiatric disorders, which often exist before pathological gambling becomes apparent. This applies particularly to substance addictions, depression and anxiety disorders, as well as to disorders involving impulse control. A recent American study demonstrates impressively that 74 percent of patients suffering from pathological gambling already suffered from a psychiatric illness before the onset of the PG – and that in 24% of cases, the psychiatric comorbidity was the consequence of the pathological gambling. This complexity is made even clearer by the fact that 64 % of these gambling addicts exhibited three or more comorbidities, and that pathological gambling alone was only diagnosed in 4% of cases. Pathological gambling is an extremely complex condition, and a successful course of treatment only appears to be possible following professional diagnosis with multidisciplinary therapy. We must also not forget that the international scientific literature reports a prevalence of PG of approximately 0.2 % to 0.7 %, with a difference between the genders (0.7 % men/0.4 % women).

Source: Zanki, M. & Fischer, G. (2009). Pathologisches Glücksspielverhalten. Diagnose – Komorbidität – Behandlung. In D. Batthyány & A. Pritz (Eds.), *Rausch ohne Drogen. Substanzungebundene Süchte* (pp. 67–81). Vienna, New York: Springer

## Wolfgang Schattauer

Reigning World Para-cycling Champion

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**03** Wolfgang Schattauer  
(51) has been  
paraplegic since a  
bicycling accident.

Thanks to his tireless fighting spirit, successful para-cyclist Schattauer regularly captures top places. His greatest successes to date includes a gold medal at the 2008 Paralympics in Peking. The reigning world para-cycling champion is married, and he lives and works in Vienna. Wolfgang Schattauer has been sponsored by our subsidiary Admiral Sportwetten for seven years now.



reduced to a minimum by the system – a step which further increases system security. Player protection, however, is not merely a regional topic. A comprehensive, Austria-wide player protection solution which applies to all market participants under the same conditions would, without a doubt, to be desirable in terms of optimizing our efforts.

## Evaluation of Measures to Protect Minors

During the reporting year, there was both positive and isolated negative feedback with regard to responsible gaming. We take this feedback very seriously and thus view it as an opportunity for us to further advance our efforts in this area. According to tests by independent third parties, there were some isolated instances in which minor protection requirements were not complied with.

In response, personnel-related and structural measures were instituted in order to best deal with this risk. Independent testers commissioned by us are working on identifying weaknesses and opportunities for improvement in our youth protection measures. We took the occasional criticism of our NOVOCARD access system as an opportunity for us to have the system externally evaluated, to further improve it and make it even more secure.

We commit to submitting all of our efforts to critical observation, and we view this commitment as an important step in the further development of our responsible gaming program.

## The Novo Academy

A crucial component of the cross-Group Responsible Gaming Program is the training of our employees in early detection and prevention of pathological gambling behavior. Having qualified personnel to protect guests is the point of departure for our considerations.

In the reporting year, the comprehensively designed curriculum for prevention officers and for employees who have contact with customers was developed further and successfully implemented in Austria as part of the Group-wide “Novo Academy“ continued education program (see p. 54).

In order to document the high quality standards of our training management system, a quality management system pursuant to ISO Standard 9001 was created for the Novo Academy. ISO certification of the Novo Academy was completed in April 2011. The experience we gathered in developing this training program for Austria will be used internationally.

## Training Plan Overview

All employees are informed regarding the topic of responsible gaming. Depending on the extent of his or her contact with customers, every employee goes through a targeted and adapted training program.

Employees who have direct contact with customers receive between one and twelve months of training consisting of several modules, followed by continuous further training activities. Topics covered range from customer communication and the management of complaints and conflicts to a special focus on pathological gambling prevention.

Our prevention officers (these are employees who must possess special qualifications as well as particular expertise pertaining to addictions) received in depth training in 2011 as part of an intensive five-day advanced course at the Anton Proksch Institute on topics such as diagnostic criteria for addiction disorders, treatment options and comorbidities, and they also had the opportunity to share their experiences with other participants.

As a parallel measure, all employees who are in contact with customers completed a target-group-appropriate training course (to be worked on independently, but nonetheless completed within a specified timeframe) using a customized e-learning program which concluded with tests on the material. The subject matter was prepared during the reporting year and studied by employees in 2011. The same implementation timeline was followed in terms of outside supervision, which is now offered to prevention officers as a health-promoting supplementary measure. We are convinced that this holistic and proactive approach, based on the concept of addiction prevention, strongly contributes to effective “harm minimization” and hence ensures that a game remains just a game.



Responsible Gaming Activities in Operational Markets	Albania	Bosnia and Herzegovina	Bulgaria	Chile	Germany	Estonia	Great Britain	Italy	Croatia	Latvia	Lithuania	Malta	Macedonia	Montenegro	Austria	Paraguay	Peru	Romania	Serbia	Slovenia	Spain	South Africa	Hungary	Belarus
Information Offerings	●	●	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Helpline					○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Website & E-mail					○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Cooperation with Treatment and Counseling Institutions					○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	●
Support for Self-Help Groups					○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Support for Research Institutions					○	○	●	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Employee Training					○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Access Control System*					○	○	○	○	○	○	○	○	○	○	○**	○	○	○	○	○	○	○	○	○
Access Barriers				○	○	○	○	○	○	○	○	○	○	○	○**	○	○	○	○	○	○	○	○	○
Technological Preventive Measures on Machines					○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

As a matter of principle, measures to protect minors are taken in all jurisdictions

\*\*currently only in Lower Austria ○ existing ● planned

### The Austrian Gambling Act Amendment of 2010

As a manufacturer of high-tech products, we welcome all efforts by legislators at both the national and international levels to create legal conditions which do justice to current and future technological developments. We therefore emphasize our willingness to share our know-how for the further development of legal conditions; which in turn contributes to the development of a regulated market. For NOVOMATIC, up-to-date legal regulation of the gaming industry is an indispensable prerequisite for being active in the market in a responsible and successful manner. It is for this reason that one of NOVOMATIC's fundamental principles is to do business exclusively in regulated markets.

In order to guarantee the high quality and fairness of entertainment offerings in the interest of customers and legitimate providers, cutting-edge technical standards and strict compliance guidelines are crucial.

Here, as well, NOVOMATIC is committed to pushing forward with and implementing solutions that are both modern and trend-setting. As a result of the amendment to the Austria's Gambling Act adopted by the Austrian Parliament, the need for uniform, nationwide protection of minors and players is now also accounted for in statutory terms. NOVOMATIC welcomes this amendment with open arms, since it includes significant improvements with regard to minor and player protection. With this reform, the parliament has demonstrated a clear commitment to a uniform, fair and transparent legal framework. We welcome the fact that this amendment establishes

legal certainty via the introduction of uniform minimum standards as well as effective supervision and monitoring.

In particular, the required electronic connection of all gaming machines to the Federal Data Processing Center, as well as mandatory access control and registration systems, makes this system a model for all of Europe to follow. Although these measures will entail a considerable investment for the industry, NOVOMATIC is nonetheless convinced that this major bundle of player protection measures will radically alter the Austrian gaming environment in terms of protection of minors and players. In particular, the implementation of this amendment shows that realizing high player protection standards does not require that there be a state-sanctioned gaming monopoly.

The reform efforts by the Austrian legislators should of course also be viewed in light of European legal specifications and trends. At the international level, as well, there is a clear trend away from old, monopolistic structures and towards modern and pluralistic – yet clearly regulated – legislation. As such, NOVOMATIC also embraces the push to regulate online gaming in the EU as laid out in the most recently published European Commission green paper. In the relevant specialist publications in Austria and abroad, NOVOMATIC consistently expresses the need for uniform legal standards and transparent framework conditions for all market participants as indispensable prerequisites for a high-quality and fair offering of gaming services.

## Responsible Gaming at the International Level

Our international responsible gaming measures depend on the structure of national legal framework conditions. Wherever there is an appropriate legal framework in place, we strive to lead the charge in the protection of players. In instances where the legal framework is still inadequate, we argue in favor of regulatory improvements. The table on the left provides an overview of responsible gaming measures in our international operational markets.

### Updates from Selected Markets

#### Responsible Gaming Romania

During the reporting period, one of the countries in which our responsible gaming measures were expanded was Romania. At all locations there, we have put out informational flyers to which people can help themselves, on the topic of pathological gambling. A free gambling addiction helpline for pathological gamblers and their loved ones was also set up, and support was provided for the establishment of an association for gambling addicts.

#### Responsible Gaming Spain

As a member of FACOMARE, the Spanish Association of Game Machine Manufacturers, our Spanish subsidiary signed that association's "Code of Good Practices." This code for the Catalonia region is an expression of the industry's commitment to its social responsibility. This code postulates, in particular, taking a responsible attitude towards gaming and the appropriate development of gaming offerings. Measures taken in Spain include publishing informational material on the topic of "pathological gambling," monitoring customer gaming behavior and the imposition of entry bans, as well as the training and continued education of personnel.

#### Responsible Gaming Germany

By having our subsidiary Extra Games Entertainment GmbH sign the code of ethics of the Player Protection Initiative (German: Spielerschutzinitiative, ISS), we clearly expressed our commitment to a responsible attitude towards gaming in Germany, also. The ISS is an association of gaming and casino companies which take an aggressive stance regarding the topic of player protection and addiction prevention. Its members have agreed to guidelines that range from the active protection of minors to the sustainable protection of players and to certification opportunities. Therefore, all employees of Extra Games Entertainment GmbH have begun to receive training by psychologists in the areas of player protection and addiction prevention. For trainees, there are seminars held in cooperation with the Sigmaringen Addiction Counseling Center which equip employees with the ability to recognize problem gamblers so as to proactively provide them with help.

### Diagnosis of Pathological Gambling according to ICD Criteria

Pathological gambling is listed in the ICD 10 classification scheme under habit and impulse disorders (F63). This category includes certain disorders of behavior that are not classifiable under other categories. They are characterized by repeated acts that have no clear rational motivation, cannot be controlled, and generally harm the patient's own interests and those of other people.

#### F63.0 Pathological Gambling

This disorder consists of frequent, repeated episodes of gambling that dominate the patient's life to the detriment of social, occupational, material, and family values and commitments.

This category does not include excessive gambling by patients during manic episodes or in dissociative personality disorder, where it is viewed as a symptom of the underlying problem. If disorders of impulse control are associated with other mental disorders such as those named above, then a separate diagnosis should only be performed if the behavior cannot be explained by the particular comorbid mental disorder. If it can be, then the impulse control disorder (in this example,



Source: NÖ Suchtplan, 2011-2015, Fig. 2 Spiral of Addiction, Institute for Addiction Prevention of Lower Austria

# Our Employees



**Lydia Pfaffengut** Head of Payroll Accounting  
39 years old, Germany, Extra Games Entertainment GmbH

*"The Group's continued growth means that I am constantly being confronted with new challenges and provided with opportunities for further training. I appreciate the pleasant working atmosphere in a well-functioning team. The NOVOMATIC Group offers me secure employment with a successful company."*

At NOVOMATIC since 1997

*Here, we would like to introduce you to **30 employees** from the most diverse areas of work.*



**Markus Hensinger**  
Engineering

38 years old, Germany, Extra Games Entertainment GmbH



**Jasmin Abrantes**  
Service

19 years old, Germany, Extra Games Entertainment GmbH



**Vince Davis**  
Manufacturing Manager

41 years old, UK, Astra Games



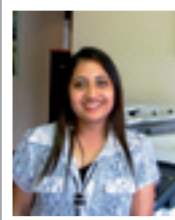
**Roswitha Meert**  
Manager of Löwenmarkt Casino

60 years old, Germany, NSM-LÖWEN Entertainment



**Anastasios Vasiliadis**  
Regional Sales Manager

26 years old, Germany, NSM-LÖWEN Entertainment



**Raeesah Suleman**  
Asst. Accountant

23 years old, South Africa, AGI Africa



**Martina Gonçalves da Cruz**  
Executive Assistant

30 years old, Spain, NOVOMATIC Gaming Spain



**Rob Williams** Graphics Department Manager  
40 years old, UK, Astra Games

*"I love working at Astra Games, part of the NOVOMATIC Group of Companies. In my current role as the Graphics Department Manager, I get an overview of how everything glues together, to ultimately realise a new product. It goes way beyond simple styling towards developing a broad knowledge of design and branding."*

At NOVOMATIC since 1998



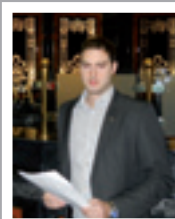
**Javier Ramírez**  
After Sales

32 years old, Spain, NOVOMATIC Gaming Spain



**Claire Peet**  
Senior Sales Administrator

35 years old, UK, Astra Games



**Dimitrije Stamenic**  
Regional Manager

28 years old, Serbia, Admira d.o.o.



**Stefania di Liegghio**  
Demand Manager

37 years old, Italy, Adria Gaming Intl. S.p.A



**Nicola Ricci**  
Junior Manager, Corporate Finance

29 years old, Italy, Adria Gaming Intl. S.p.A



**Mioara Cocea**  
Director, Legal Department

31 years old, Romania, Admiral Romania



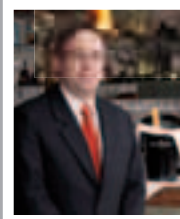
The NOVOMATIC Group employs over **17,000 individuals** in **31 countries** all around the world. The diversity and dedication of our employees are our most valuable resources.



**Senad Fazlic** Operator Cash Officer  
25 years old, Croatia, Admiral Intl. Casinos

*"I started working for NOVOMATIC on Rab Island. After three years I moved inland to a city located 600 kilometers away, in the middle of the country, and was immediately employed at the local Admiral Klub. Since then I have adapted really well to my team, and today I am able to say: I am glad to be a part of the globally active NOVOMATIC Group."*

At NOVOMATIC since 2008



**Križman**  
Restaurant Manager  
38 years old, Slovenia, Hotel & Casino Admiral Resort



**Mandy Moch**  
Regional Manager  
33 years old, Germany, Extra Games Entertainment GmbH



**Josip Kapeli**  
Assistant Managing Director  
53 years old, Croatia, Admiral Intl. Casinos



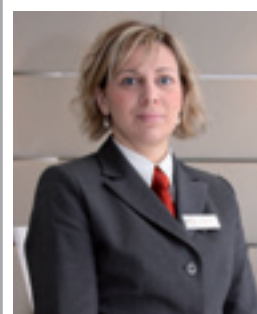
**Kristina Pastuovic**  
Regional Manager  
27 years old, Croatia, Admiral Intl. Casinos



**Dan Silviu Costin**  
Administration Department Head  
33 years old, Romania, Admiral Romania



**Veronika Lang**  
Quality Management Officer  
30 years old, Italy, Adria Gaming Intl. S.p.A



**Andrea Segulin** Leiterin Rezeption  
31 year, Slovenia, Hotel & Casino Resort Admiral

*"The company offers a pleasant and appealing working environment as well as many opportunities for professional development. I especially appreciate the honest style of communication which, for me, is an important prerequisite for good cooperation and satisfaction in the workplace. Motivated employees make for satisfied hotel guests."*

At NOVOMATIC since 2009



**Dimas Gragera**  
Administration  
26 years old, Spain, NOVOMATIC Gaming Spain



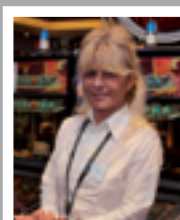
**Mohamed Abdullah**  
Customer Support Manager  
37 years old, South Africa, AGI Africa



**Marieta Iacob**  
Area Manager  
32 years old, Romania, Admiral Romania



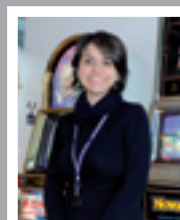
**Ilona Bieser**  
Staff, Technical Service Center  
44 years old, Germany, NSM LÖWEN Entertainment



**Sofija Barut**  
Casino Manager  
51 years old, Slovenia, Hotel & Casino Resort



**Petar Nikolovski**  
Head Technician  
27 years old, Macedonia, HTL Macedonia



**Teodora Ciubotariui**  
Recruiter, Human Resources  
28 years old, Romania, Admiral Romania



Ensemble, Vienna Schauspielhaus

NOVOMATIC's long-term business success is characterized by the dedication, creativity and motivation of our employees. The Group's outstanding performance over the last few years can be attributed most importantly to NOVOMATIC's positive corporate culture. We view this as our mandate to continue following this established path in the future. Our focus in the upcoming years will be on maintaining the employability of our employees. Due to the increase in the de facto retirement age, the maintenance of professional qualifications will become even more important, and health-related components will also receive a stronger focus.

### Recruiting and Recruitment Marketing

Since our employees represent a crucial factor in our business success, we proceed with the utmost caution starting with our future employees' selection. In the interest of hiring the best employees, we actively involve our managers in the hiring process and offer internal advising during the process. In 2011, we plan to once again offer our managers custom-tailored recruiting skills training.

The implementation of our internal training program was an essential focus. With it, we are building up a qualified pool of young talent with a broad knowledge of the company and the industry. During the twelve-month program, our trainees move through various departments at Group headquarters in Gumpoldskirchen and gather international experience at our Group subsidiaries. In doing so, they become acquainted with our production processes as well as the operational segment of the industry from the ground up.

### Development of Employment Figures

In 2010, we increased our personnel capacities in accordance with our positive business performance.

As of year-end, NOVOMATIC employed 10,956 individuals (2009: 9,911) worldwide. Of these, 2,533 (2009: 2,370) worked in Austria. The headcount of Austrian employees as of 31.12.2010 (excluding suspended employment contracts) was made up as follows:

	Men	Women	Total
Salaried Employees	780	384	1,164
Commercial Apprentices	3	1	4
Hourly Employees	787	560	1,347
Trade Apprentices	7	0	7
Independent Contractors	4	7	11
<b>Total</b>	<b>1,581</b>	<b>952</b>	<b>2,533</b>

In the reporting year, the turnover rate was as follows:

Collective Bargaining Agreement	Men	Women	Total
EI + IT	4.8	8.9	6.1
Food and Beverage	24.4	30.9	27.1
<b>Total</b>	<b>15.9</b>	<b>23.7</b>	<b>18.8</b>

Calculation according to GRI Indicator Protocol LA2

In Austria, all company benefits in Austria are of course available to both full and part-time employees. The percentage of Austria-based employees who are party to a collective bargaining agreement is nearly 100%.

This program is evaluated on an ongoing basis in regular feedback sessions. Following each stop on their “tour,” trainees are assessed by their managers. In light of its great success, we will be expanding this program in 2011.

2010 saw us continue our target-group-specific activities in the area of recruitment marketing as well as participation in the major job fairs. We intend to strengthen our position as an attractive employer in order to continue being able recruit highly qualified employees in the future. The fact that we received the silver “Careers Best Recruiter” seal indicates that we are on the right track.

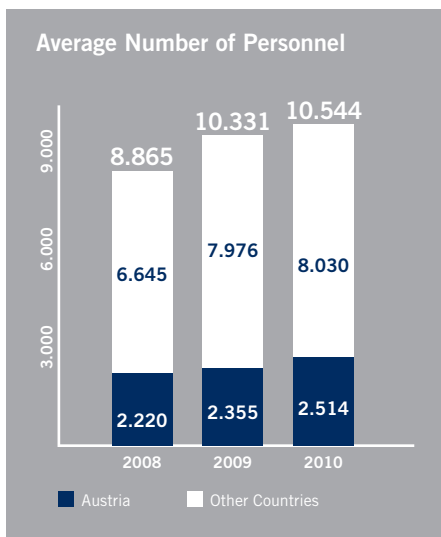
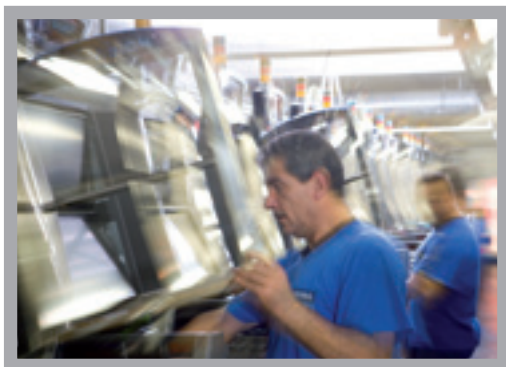
In order to promote internal communication within the NOVOMATIC Group, we began with the development of a Group-wide intranet platform in May of 2010. We have already selected the provider, and implementation is currently underway. Following the intranet’s implementation, there will be a central information platform available throughout all locations. In addition, a portal solution will assure the integration of additional systems.

### Training and Continuing Education/ Professional Development

In 2010, we intensified our training activities as presented in the last report. Altogether, we took on seven new apprentices in Austria during the reporting year. As of year-end, NOVOMATIC employs seven commercial and four trade apprentices. For 2011, we plan to further expand our training activities. In addition to professional qualifications, developing the apprentices’ “soft skills” is an important concern of ours. For this reason, a concept for an apprenticeship workshop is currently being studied.

The high qualifications and superior quality-consciousness of our employees receive active support from ongoing training and continuing education programs. To this end, we offer individual and group-specific programs. Further training is viewed as a targeted investment in the future of our company. We therefore assess the further training needs of our employees on an annual basis in order to make it possible for them to obtain the appropriate qualifications.

During the reporting year, the implementation of our training concept for operations was the central topic. Knowledge concerning the nature of gambling addiction and knowing how to properly deal with persons susceptible thereto is an essential factor in the realization of player protection. During the last quarter of 2010, the first basic training sessions for our prevention officers took place. All told, 43 employees participated on three dates. The feedback from the participants and trainers







Prevention officers and trainers at the five-day Advanced Program at the Anton Proksch Institute

was extremely positive and was utilized to optimize the training subject matter.

At our Gumpoldskirchen location, the focus was on the continuation of our extensive foreign language initiative. Currently, 40 employees are participating in a precisely defined English program. This effort is rounded out by Spanish, Italian, Russian and Polish courses. For our employees with migratory backgrounds, we offer courses in German as a foreign language – and these have proven to be very popular. Other topics include the expansion of relevant IT skills and job-related specialized skills.

### **Novo Academy**

In addition, we began creating the Novo Academy. The Academy has the important task of realizing the concept of life-long learning in the NOVOMATIC Group. NOVOMATIC's extensive international base places high demands on ensuring the training and ongoing maintenance of our employees' qualifications and skills. The focus of the Novo Academy is, in particular, the design and realization of training activities in conjunction with the implementation of responsible gaming. The professional development and training offerings of the Novo Academy are geared towards the needs of NOVOMATIC and its subsidiaries, and they make a significant contribution to the ongoing advancement and increasing quality across all business areas within the Group.

### **Diversity and Equal Opportunities**

It goes without saying that NOVOMATIC, as a globally active company, takes care to maintain a responsible attitude to-

wards diversity. The different viewpoints of our employees represent a special asset for us and are a building block of our success. In Austria alone, there are individuals from 32 countries working for our company. Over 40 percent of our employees are not from Austria, or come from families that immigrated to Austria. We are especially proud of the fact that these employees are represented throughout all levels of the Group's hierarchy. The percentage of employees with foreign citizenship is over 20 percent in Austria, and the percentage of women is almost 40 percent.

Increasing our percentage of employees with disabilities will continue to require effort over the coming years. At present, the share made up by this group of employees in Austria is just over one percent.

### **Occupational Health and Safety**

Occupational health and safety are cornerstones of our responsibility to our employees. Safe and sanitary working conditions make an important contribution to employee motivation.

Our company physician in Gumpoldskirchen is available to employees – even outside of regular consultation hours – for all concerns pertaining to work-related stays abroad. And 2010 once again included expanded health screenings which were taken advantage of by 125 employees. Additionally, vaccination campaigns (TBE, flu, country-specific vaccinations) and health counseling for employees were also offered. All these offerings were extremely well-received by our employees. Since March 2010, we have also offered all our employees a separate, nutrition-science-based cafeteria at our headquarters. During the first half of 2011, we will be conducting our

first employee survey on the topic of health in order to gather additional data that will help us improve our offerings.

Moreover, we support our employees when they participate in sporting events as well as via attractive terms at partner companies.

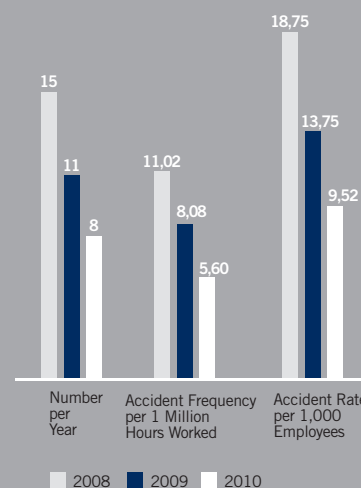
Occupational safety and accident prevention are a further important focus of our activities. In Austria, occupational safety is regulated by laws and decrees, compliance with which is verified by our external safety officers. Moreover, the reporting year saw all legally mandated prevention activities carried out. These included activities such as the advising of employers and employees, inspection of workplaces, determination and assessment of hazards, establishment of hazard prevention measures, and the conduct of occupational safety sessions.

The occurrence of accidents at the Gumpoldskirchen location was significantly reduced once again in 2010. All of the important figures in this regard were considerably lowered. The number, frequency and seriousness of accidents are all at three-year lows.

In order to prevent additional accidents, the process for reporting workplace accidents was optimized. All workplace accidents are centrally recorded and are communicated internally to the company doctor and safety engineering department to be dealt with. In collaboration with the appropriate manager, a written report on the precise details of the accident is prepared and forwarded to the General Accident Insurance Office (AUVA). Every workplace accident is processed in detail and examined to see if any measures can be derived from it.

Currently, a detailed emergency plan is being completed which will summarize the existing measures. Particularly close attention will be paid to the topics of vacation and evacuation, fire prevention and first aid, all of which will be the subject of comprehensive guidelines.

**Occupational Accidents – Accident Frequency – Accident Rate** (AGI Location: Gumpoldskirchen)



**Key Figures on Employees in Austria**

Development of the Group-wide personnel controlling system was continued during the reporting year. The corresponding IT solution was purchased in the reporting year, and its expansion to some of our subsidiaries is planned for 2011.

Key Figure	2008	2009	2010
Number of Employees	2,374	2,424	2,533
Women (%)	41.2%	38.8%	37.6%
New Hires	594	591	460
Average Age	36.2	36.8	37.0
Immigrants (%)	22.8%	22.8%	22.8%
University Graduates (%)	3.8%	4.7%	7.7%

Number of employees excluding suspended employment relationships (headcount), total for Austria



04 Markus Volek was  
*Austria's Firefighting  
Hero of 2009.*

The 35 year old firefighter from Klosterneuburg saved a small child from a burning room. Markus Volek and eight other firemen and fire-women from all the Federal States were honored for their efforts. In Austria, it is particularly the numerous volunteer firefighters who make a priceless contribution to society. As a leading regional company, NOVOMATIC supports this important work.



# Our Environmental Responsibility

As an integrated gaming group, the production of innovative technology is a crucial element of NOVOMATIC's core business. We possess state-of-the-art production facilities with an exceptionally high degree of vertical integration. The responsible use of resources is therefore an essential requirement for us in continuing to live up to our commitment of being a technological leader.

We have made it our goal to implement ecological responsibility across the entire value-added chain and thereby identified three basic challenges::

- » **Eco-efficiency:** the most environmentally friendly and resource-saving manufacturing of our products and services.
- » **Energy efficiency:** minimization of energy consumption by identifying potential energy savings.
- » **Consciousness-raising:** motivating our employees to support our environmental initiatives.

The measures and further developments presented here from the past fiscal year also serve to represent many minor and major achievements on which we work day-to-day. We were able to make some initial progress on developing a consistent data collection system. A comprehensive environmental management system continues to be the long-term objective.

The following data and figures therefore only concern the Group's headquarters and the production facility in Gumpoldskirchen. A standardized data collection system for all environmentally relevant processes and material cycles in the Group

has yet to be completed. In the next stage, we plan to extend this data collection system to Austria, at minimum, and then to successively integrate foreign subsidiaries while ensuring comparability.

## Electronic Workflow

Last year, the system migration for accounting and purchasing which had been planned since 2008 was completed at Group headquarters in Gumpoldskirchen. Since the beginning of 2011, incoming invoices (around 50,000 a year) as well as outgoing order forms and order confirmations (around 7,000 per year) have been continuously digitalized and processed exclusively in electronic form.

Previously, multiple copies and printouts of all these documents were made for documentation purposes or for order fulfillment via fax. Now they are stored only in digital form. The paper saved as a result comes to an estimated two pallets of A4 paper (80g/m<sup>2</sup>) or about a ton of paper. This amounts to a savings of around eight percent of the approximately 12.5 tons total of printer paper consumed at the Gumpoldskirchen location. Furthermore, this system has also allowed internal mail between individual locations to be phased out. We plan to extend this electronic accounting system to other NOVOMATIC subsidiaries. Precise figures on the savings achieved are not anticipated until the 2011 reporting year, by which time we will have gathered some initial experience with this new system.

In the future, in other administrative divisions, as well, voluminous archives such as the personnel files of the Human Resources Department will likewise be managed electronically. In addition to the savings in materials, this also yields increased

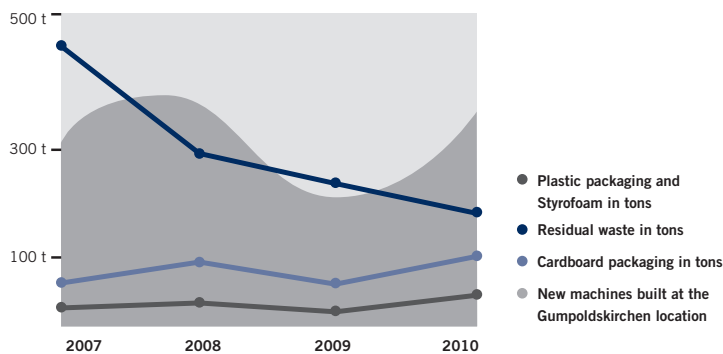
administrative efficiency – not to mention advantages in terms of Group-wide electronic evaluation of now digitally available data while simultaneously maintaining the highest data protection standards.

### Waste Management

The amount of waste generated at the Gumpoldskirchen location in 2010 increased only moderately (by 8.1 percent) despite considerably increased production. After the decline in 2009 due to the financial crisis, the number of new machines built at the Gumpoldskirchen location during the reporting year rose significantly. While the increase in material quantities such as plastic packaging or boxes reflects the increase in production figures, the amount of residual waste declined by 16 percent despite a large increase in production. The improved residual waste separation presented in the last report, which uses containers set up throughout the whole factory for plastic and cardboard boxes, is thus showing results.

Waste is divided into non-hazardous materials which can be directly disposed of and hazardous waste which must be handled with special care. The correct disposal of waste is taken care of by our partner company for waste management, AVE GmbH. The construction work carried out on the new headquarters during the 2009 reporting year naturally affected the amounts of waste and resulted in considerable fluctuations in individual waste categories. The comparability of this data is therefore limited. The in-house restaurant opened in 2010 likewise brought with it new waste, which further contributed to the increase. For the future, additional measures are envisioned to make material cycles more environmentally friendly, avoid waste and make greater use of recyclable raw materials.

**Changes in Packaging Waste Amounts in the Context of the Production Increase (in Tons)**



Improved waste separation produced a continuous reduction in the amount of residual waste by around 16 percent despite continuously increasing production

Amounts of Waste in 2010	Amount of Waste in Tons	Change compared with 2009 in %	
Scrap wood, mixed	193.42	-21.6 %	↓
Wood dust	29.63	-29.0 %	↓
Electronic waste (non-hazardous)	23.64	59.4 %	↑
Monitors	47.58	111.5 %	↑
Fluorescent tubes	0.49	1300.0 %	↑
Copper wiring	7.77	173.8 %	↑
Electronic waste (hazardous)	0.3		
Electronic devices (non-hazardous)	1.3		
Circuit boards	1.78		
Cooling units	1.35	1488.2 %	↑
Scrap iron	56.49	93.1 %	↑
Oil-contaminated solids	0.228	-5.0 %	↓
Dry/consumer batteries	0.36	-12.6 %	↓
Paint & varnish	2.82	-27.6 %	↓
Hardened left-over varnish	1.16	-13.4 %	↓
Varnish & paint sludge	0.56	-48.1 %	↓
Glue & adhesives	44.52	80.5 %	
Used oil in containers	1.58	-23.3 %	↓
Developing baths & bleach	18.61	42.1 %	↑
Left-over varnish, containing solvents	0.38		
Solvent mixture, halogen-free	1.02		
Contaminated fuels	0.2	0.0 %	
Lead batteries & vehicle batteries	0.62		
Lab waste	0.085		
Grease separators	11		
Oil separators	11.07		
Used oil	0.9		
Plastic packaging and Styrofoam	59.44	109.2 %	↑
Residual waste	204.98	-16.8 %	↓
Cardboard	127.04	36.3 %	↑
Total	850.323	8.1 %	↑

## The Project of Energy Efficiency

An important step towards improving our energy efficiency with taken with the centralized coordination of energy purchasing. Following a comprehensive overview and analysis of electricity and gas suppliers, the first step taken was to synchronize our energy supply contracts by means of individual contract negotiations. In this endeavour, we took advantage of the expertise of the Austrian Energy Consumer Association (ÖEKV). This, together with the load profile analysis, forms the basis for strategic energy purchasing appropriate calls for tender.

NOVOMATIC's total 2010 energy consumption at its Gumpoldskirchen location amounted to 70,560 gigajoules (19.6 gigawatt hours) for a total building surface area (useable area) of 72,000 m<sup>2</sup> which includes office and manufacturing facilities. Natural gas consumption totaled 635,000 m<sup>3</sup> (6.6 gigawatt hours). Power consumption amounted to 13 gigawatt hours, for which the energy suppliers rate the percentage of renewable primary energy sources for power generation at 55.6 percent (2010).

Working together with the Austrian Energy Consumer Association (ÖEKV), potential energy-saving opportunities were ascertained. In January 2011, an internal working group was formed which is currently collaborating with external consultants to evaluate various options for increasing energy efficiency. To this end we also collected input from our German subsidiary NSM Löwen Entertainment, which is leading the charge in the Group with its Ecoprofit program.

## Consciousness Raising

The cooperation of our employees is indispensable to realizing environmental protection measures within the Group. We therefore make every effort to inform and raise consciousness. In the quarterly CSR newsletter NOVO News, topics of environmental relevance are regularly presented along with concrete tips for action, such as how to operate air conditioners the right way. The long-term goal of our ecological responsibility efforts continues to be the development of a management system encompassing all areas. To realize this objective, however, we need to coordinate various departments and divisions. We are also continuing work on a system for recording data pertaining to consumption, emissions and material cycles. These steps are aimed at both increased efficiency and quality assurance in production. In addition to NOVOMATIC's production locations, operations will also be the focus of efficiency measures in the future.



### GUEST COMMENTARY

*Peter Lucny, Engineer  
Consultant, Austrian Energy  
Consumer Association*

The recent events in Japan have once again shown clearly just how sensitive a secure energy supply can be. The reactor accident has led to rationing of power supplies for the populace and for businesses, and the subsequent about-face in German nuclear policy has led to a rise in the market price of electricity.

Since the financial crisis, energy suppliers and energy customers have had to face the challenge of needs-based energy purchasing head-on. A large discrepancy often arises between contractually agreed upon amounts of energy and the amounts actually utilized. Strategic and needs-based energy purchasing is therefore an urgent current necessity for companies. Companies must decide what contract terms they want, as well as when they purchase and what quantities they purchase.

Energy efficiency holds great potential for reducing energy consumption and costs. In this regard, the EU is paving the way to the future: by the year 2020, a 20 percent share for renewable energy, 20 percent higher energy efficiency and 20 percent lower CO emissions are to be achieved. The Austrian Ministry of Environment is thus aiming to have energy consumption stabilized at the 2008-level by 2050.

In companies, consciousness of energy efficiency has risen significantly. An obstacle to implementing energy efficiency measures is the investments which need to be made. With amortization periods of over three years, energy-efficient measures are often simply not taken. The Federal and State Governments supports such projects with investment subsidies of up to 40 percent. Experience indicates that the untapped savings potential in companies ranges from at least five percent up to 30 percent of the energy used. What this means is that we all still have a great deal of work yet to do.





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**05 Anita Hartig (28)**  
*hails from Romania  
and studied voice  
performance until 2006 at  
the Cluj-Napoca Academy  
of Music.*

In October 2009, the young soprano made her debut at the Vienna State Opera in the role of Musetta in *La Bohème*. The artist is a regular guest of the Romanian and Hungarian Opera Houses in Cluj and the National Opera in Bucharest. Each year, NOVOMATIC awards a grant sponsoring one promising young talent at the Vienna State Opera.

# Risk Management

The gaming industry operates within a complex legal framework. Although laws vary from country to country, the global trend is toward more stringent legal requirements and increasing regulation by oversight authorities.

In Austria, as well, a far-reaching reform of the gaming sector was adopted in 2010, bringing with it a series of new requirements. NOVOMATIC is constantly implementing extensive measures in order to comply with the current legal requirements and to be able to respond to future requirements in a timely fashion. Such measures include a risk management system and diverse control and compliance reporting processes. The following information applies to the entire NOVOMATIC AG Group.

## Enterprise Risk Management

Due to the global nature of our Group's business activities, NOVOMATIC is exposed to strategic and operational risks. In order to manage these risks in a conscious and targeted manner, NOVOMATIC has implemented a risk management system according to the principles of "Enterprise Risk Management – Integrated Framework" (COSO – see sidebar on page 63) which is uniform throughout the Group. The goal of risk management is to identify and analyze risks early on in order to be able to actively institute control measures. Furthermore, risk awareness and transparency should also be increased. All systematically ascertained and analyzed risks and opportunities are recorded in a professional, EDP-based risk management system which ensures permanent monitoring of risks as well as the attributed risk-management measures and control mechanisms.

In the interest of ongoing monitoring of NOVOMATIC's risk and opportunity situation and to make possible active control, the risks and opportunities were attributed to the appropriate persons in charge in the business divisions and Group companies. The task of these risk officers is to define and implement measures to cope with the individual risks and take advantage of opportunities, to document emerging risks and opportunities, and to reassess the identified opportunities and risks at regular, defined intervals.

Central risk management supports the divisions in an advisory capacity and handles the regular updating and further development of the system. As part of the system's continuous expansion, additional Group companies were included in to the risk management system during the 2010 reporting year.

This system is designed to identify and assess the risks affecting all major business operations via a uniform, methodical approach. The central risk management department supervises the implementation of the defined countermeasures and reports to the Board of Directors on a regular basis concerning the current risk situation. The NOVOMATIC Group's auditing department monitors the integrity of the risk management system and ensures its effectiveness.

## Internal Control System

In order to deal effectively with operational risks, internal control structures were developed and incorporated into NOVOMATIC's operational processes. The point of this "Internal Control System" (ICS) is to ensure proper functioning of the Group's business processes.



Anita Hartig, 2010 NOVOMATIC Grant Recipient at the Vienna State Opera.

To document the internal control system, the main processes and their associated risks as well as the existing controls were analyzed and mapped out in the form of a risk-control matrix. Given the dynamic nature of NOVOMATIC, both the individual process sequences and the entire internal control system are subject to ongoing changes. As such, constant process adaptation, process updating and checking of ICS controls and/or introduction of new controls are required.

In addition and on an ongoing basis, further Group companies are integrated into the system, relevant processes are analyzed and controls are implemented.

The internal control system helps the Group to reach the goals of its business policy, to comply with laws and requirements, to protect business assets, to prevent, minimize and uncover mistakes and irregularities, to ensure the reliability and completeness of the Group's accounting and to prepare timely and reliable financial reports.

The Group's Auditing Department is tasked with ensuring compliance with the requirements for setting up and monitoring an effective internal control system.

## Compliance

The concept of compliance encompasses all measures with which a company ensures that laws, directives and voluntary codes of conduct are followed. Our compliance activities are focused on measures to guarantee that legal mandates such as national and international laws against criminal activities, market abuse, insider trading, money laundering and data privacy are adhered to. In addition to these diverse areas of law, the

following three compliance areas are of particular importance to NOVOMATIC:

### Regulatory & Legal Compliance

"Regulatory compliance" refers to compliance with the industry-specific directives issued by various gaming oversight bodies. The favorable conclusion of a licensing procedure is an absolute prerequisite for operating in a given market. Close cooperation with the authorities during verification of the licensing requirements is thus a decisive factor for success. The Regulatory Compliance Department deals with this topic and gathers all the information required for the licensing process from the parent company as well as its various subsidiaries.

### Technical Compliance

In addition, the authorities define a series of (in some cases very specific) technical requirements for gaming machines, compliance with which must also be precisely monitored. In addition to various technical specifications, the machines must also provide adequate protection against manipulation. Before products can be offered and used on the various international markets, they must first undergo in-depth testing by independent, accredited testing laboratories to check whether the hardware and software of our products meet the specifications of the markets in question. Successful completion of such a test is confirmed by an appropriate certificate.

### Compliance Partner Check & Due Dilligence

Compliance is not limited solely to our Group itself, but rather also extends to potential business partners. Especially before

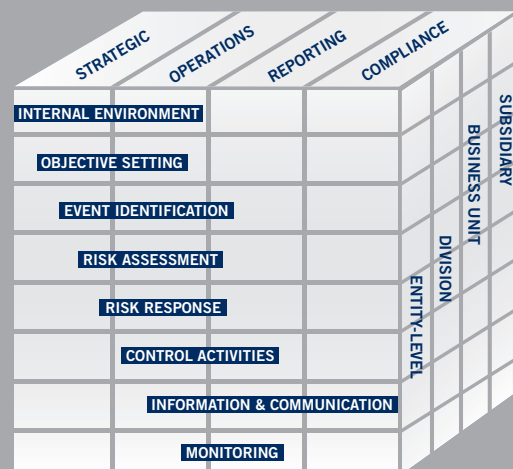


new partnerships are entered into or interests in a company are acquired, an extensive compliance background check is performed in order to exclude risks right from the start. Our business partners must also accept and implement our compliance requirements.

## Data Privacy

In the 2010 fiscal year, the focus of activities in the area of data privacy was on the further development of effective organizational structures with regard to data privacy in order to ensure confidential handling of information concerning our employees, customers, suppliers and third parties, thus further strengthening the trust placed in our Company. Based on the defined privacy requirements for the information used at NOVOMATIC AG and its subsidiaries, a Group-wide data privacy policy has been formulated, which – on the basis of data privacy principles – lays out the rules governing the reliability of data usage and data transmissions as well as the procedure for reporting to the Austrian Data Protection Commission. In addition, our data privacy policy includes a process description pertaining to fulfillment of the duty to inform and the rights of concerned parties to information, correction, deletion and objection. In addition, organizational steps and measures for the further optimization of data protection are presented.

With regard to the website, the necessary modifications pursuant to an amendment to the Directive on Privacy and Electronic Communications were appropriately implemented and a data privacy statement drawn up which describes how data are processed on the websites in greater detail and accounts for the user's right to obtain information based on the legal provisions currently in force.



Source: [www.coso.org](http://www.coso.org)

### COSO-Framework

The COSO Framework uses a three-dimensional model ("COSO cube") to describe the relationship between the objectives of a company and the components of corporate risk management. The division of organizational goals into strategic goals, operational goals, reporting and compliance makes possible an orientation toward various aspects of the Group-wide risk management system.

The eight interconnected components of internal environment, objective setting, event identification, risk assessment, risk response, control activities, information & communication and monitoring are derived from the way managers run a company and reflect what is necessary to achieve the Group's organizational goals.

The presentation of the four goal categories, the eight components and the units of an organization in a three-dimensional form makes it possible to deal either with the totality of the corporate risk management system of an organization or with goal categories, components, organizational units or any subset thereof.

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**06** **Mariam Anees** (26)  
*comes from Pakistan  
and is a researcher at the  
Medical University of Vienna.*

The Austrian Life Science Award (ALSA), endowed with 10,000 Euros, was conferred on the young scientist for her research work on prostate cancer. Her findings were published in the specialist journal Cancer. The ALSA has for five years now been awarded to promising young scientific talents by NOVOMATIC in collaboration with the magazine Chemiereport.



# Sustainable Business

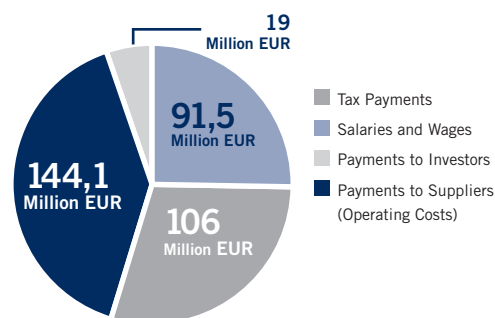
Over the 30 years of its existence so far, NOVOMATIC has not only built itself into one of the most successful Austrian enterprises, but also makes a vital contribution to regional and national creation of value. We consider it our duty to pursue a sustainable growth strategy that is oriented towards the long term.

Despite our international success and strong export orientation, we are true to our roots in the landscape of Austrian industry and make our headquarters in Gumpoldskirchen (Lower Austria). The expansion and strengthening of this location are due to conscious decisions made by our founder and majority shareholder, and thus represent a clear commitment to Austria as a business location. With the expansion of our headquarters, we clearly expressed our commitment to the Gumpoldskirchen location and secured around 2,500 jobs in Austria for the long haul. In the context of the upcoming concession award decisions, we are striving towards a stronger presence in the Austrian home market, a presence which is connected to the existing jobs and to the creation of new ones. We do our best to live up to our role as a national and regional economic force at all our locations. By way of example, we have researched NOVOMATIC's economic impact on Austria and in particular on the region surrounding our headquarters. The following information thus refers to Austria and/or to the region.

A study by the Manufacturers' Union from 2009 shows clearly: one million Euros of value-added generated by a leading company such as NOVOMATIC yields 2.2 million Euros value-added in Austria. One job created by a leading company guarantees 2.8 jobs in Austria at large. In the District of Mödling alone, the most diverse suppliers and business partners generated around 14 million Euros in turnover from their coopera-

tion with NOVOMATIC AG and Austrian Gaming Industries in 2010. Throughout Austria, these payments to suppliers and business partners amounted to 144.1 million Euros. As a leading regional company paying around 2.7 million Euros in municipal taxes, we also make a substantial contribution to the budgets of the various municipalities in which we maintain locations. In the Province of Lower Austria alone, we sponsored thirteen cultural projects, six social and economic initiatives and around 50 sporting associations and events in 2010.

At the national level as well, NOVOMATIC AG and its subsidiaries generated taxes and other contributions amounting to 106 million Euros. Interest paid to investors amounted to 19 million Euros. The total amount in wages and salaries paid out in Austria comes to 91.5 million Euros. NOVOMATIC invests in innovation and thus in the future of the business. With research and development investments well in excess of the industry average, NOVOMATIC asserts its position as the industry's innovation leader. With our conscious decision against outsourcing, we ensure quality and retain highly-qualified jobs in Austria.



Cash flow to NOVOMATIC Stakeholders in Austria in 2010





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**07** **Joana Veseli (37)**  
*is an ethnic Kurd  
born in Iraq.*

She lived through three wars during her childhood and fled to Austria 15 years ago. Eleven years ago the single mother started working at the Ankerbrot bakery chain. Today, as district manager, she is in charge of 14 stores.

With the Business Award for Integration, awarded during the reporting year, NOVOMATIC honors individuals whose special dedication and entrepreneurial spirit have earned them a place in the Austrian economy.

# Corporate Citizenship

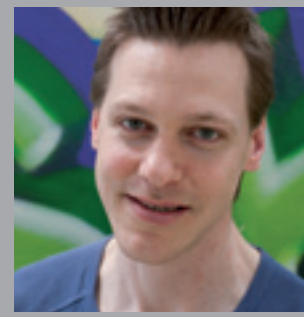
## Our Sponsorship Guidelines

NOVOMATIC views itself as a “Corporate Citizen” and, as such, is committed to sharing its success with society. Sponsoring partnerships and support for social concerns are therefore an important expression of our sense of social responsibility. We place special emphasis on art and culture, promote business and research, support professional and popular sports and get involved in social initiatives – especially in our capacity as a regionally important employer. The partners introduced in the portraits here represent our multifaceted sponsorship commitment.

As a provider of the sensitive service of gaming, NOVOMATIC bears a special responsibility when it comes to designing communication and marketing activities. It follows that this responsibility also applies to its choice of sponsoring partnerships. Compliance with and promotion of measures to protect minors is of special concern to us as a gaming provider. We consider events and initiatives which are primarily directed at the target group of children and adolescents to be unsuitable for a sponsoring partnership. Our detailed sponsorship guidelines can be consulted online at [www.novomatic.com/de/corporate\\_information/social\\_responsibility](http://www.novomatic.com/de/corporate_information/social_responsibility).

## Regional Partnerships

The bookmarks in this year’s report were designed and produced by disabled persons from the Lebenshilfe workshops in Gumpoldskirchen and Poyerhaus. With this cooperative project, we are making a statement about our ties to the region and our collaboration with local social institutions.



### GUEST COMMENTARY

*MMag. Albrecht Weiß*

*Director of the Lebenshilfe*

*Workshop in Gumpoldskirchen*

Time and time again, work has proven to be one of the most important realms in a person’s life, one which has a positive impact on the quality of life. Work allows us to unfold and develop our personalities, to take part and to gain recognition in society.

One of the highest-priority goals of Lebenshilfe Lower Austria is to enable our clients to take part in the work process. This is only possible in the case of good collaboration with companies. Orders are accepted and filled by our clients with the aid of Lebenshilfe Lower Austria staff. Furthermore, numerous clients of Lebenshilfe Lower Austria have secured a job through partnerships with businesses and are now able to lead independent, self-reliant lives.

It becomes evident through our cooperation with businesses that people with disabilities can indeed work, and that they constitute an essential part of our society.

# The Novomatic Forum

During the reporting year, the Novomatic Forum became established as an attractive location for the arts and culture as well as for dialog between business, politics and society.

The Federal Monuments Office, with which we worked closely during the construction phase, praised the renovation of the Novomatic Forum building for its sensitively planned interventions which filled this monument to Art Deco architecture with new life.

Since the Forum opened in the summer of 2009, various events have been held on its premises – (alongside the splendid ballroom, three other rooms offer a more intimate setting). The spectrum has ranged from book presentations and theatre performances to concerts and discussion events all the way to a delightful jazz brunch. One of last year's highlights was the 1000 Years of Inca Gold exhibition which brought to Vienna the original exhibits from Peru's Museo Oro del Perú in Lima.



## 1000 Jahre INKAgold



Antonio Garcia Revilla, Ambassador of the Republic of Peru (at center), opened the Inca Gold exhibit on 21 October 2010 at the Novomatic Forum, together with Christoph Rahofer of Event Marketing Service, Victoria Mujica, Director of the Museo Oro del Perú, Denise Pozzi of the Instituto Nacional de Cultura, and CEO Franz Wohlfahrt (from left to right). The exhibit drew thousands of visitors to the Novomatic Forum up through April 2011.





Works by 52 young artists were put up for auction on 12 October 2010 at the Young Art Auction. With events such as this, the Novomatic Forum offers promising local artists a platform to present their work.



“Der nackte Wahnsinn” was the name of a play that celebrated its premiere at the Novomatic Forum on 9 April 2010. The play was performed by the ensemble “Armes Theater Wien.”



“Stakeholder versus Shareholder Value” was the topic at the Top Speakers’ Lounge event at which Caritas President Franz Küberl, CEO Franz Wohlfahrt, Nestlé Chairman of the Board Peter Brabeck-Letmathe, Infineon CEO Monika Kircher-Kohl, OMV CEO Wolfgang Ruttenstorfer, Die Presse business desk head Franz Schellhorn and economist Stephan Schulmeister (from left to right) met on 11 March 2010.



The Business Award for Integration was conferred at the Novomatic Forum on 27 November 2011. CEO Franz Wohlfahrt (far left) and News publisher Oliver Voigt congratulate immigrants on their remarkable success stories.



## Gumpoldskirchner Spatzen

Children's Choir Ensemble

**08** *In 1949, this internationally known children's choir was founded in Gumpoldskirchen.*

The choir has been delighting listeners with its superlative musical quality and broad-ranging repertoire ever since. Prof. Elisabeth Ziegler, the daughter of the choir's founder, has led the Sparrows for over 40 years. The ensemble Gumpoldskirchner Spatzen is a source of enrichment for the region's cultural life. NOVOMATIC thus views it as its special duty to support this institution.

# Spheres of Activity

	Objectives	Date	Implementation Status
	Continuous expansion of stakeholder dialog		Ongoing
Responsible Gaming	Expansion of country-specific responsible gaming programs		Progress made – ongoing
	Comprehensive employee training program in responsible gaming	2010	Achieved
	Group-wide deployment and qualification of prevention officers	2012	New objective
	Continuous further development of the access control system	2012	Implementation to begin shortly
Employees	Elaboration of a program for standardized manager development	2011	Start of concept implementation
	Young talent pool - trainees	2011	Start of Group-wide trainee exchange
	Development of a qualification program for our operations with a focus on CSR	2011	Implementation in progress
	Development of a Group-wide controlling system for employee data	2011	Start of international rollout
	Establishment of expert networks in the Group	2011	Implementation in progress
	Professionalization of the Novo Academy	2011	New objective
	Employee survey on the topic of health at the Gumpoldskirchen location	2011	New objective
	Creation of a Group-wide management system for health and safety	2012	Postponed
Ecology	Definition of environmental and ethical purchasing criteria	2012	Not yet achieved – postponed
	Paperless purchasing	2010	Achieved – evaluation planned
	Raising employees' environmental consciousness	2010	Additional steps planned
	Increasing energy efficiency at the Gumpoldskirchen location	2012	Ongoing
	Environmental management and data collection	2012	Not yet achieved – in planning phase
Compliance	Focus: training in the prevention of money laundering	2011	In planning phase
	Implementation of a Corporate Governance Code	2012	In planning phase
	Implementation of an internal donation and sponsorship guideline	2010	Achieved

The NOVOMATIC AG CSR Report appears annually, together with the Annual Report at the end of April. The last two reports are available for consultation online at [www.novomatic.com/de/corporate\\_information/social\\_responsibility](http://www.novomatic.com/de/corporate_information/social_responsibility). The data and information contained in this report pertain to the 2010 calendar year.

In selecting the topics and setting focuses, we gave consideration to significant stakeholder interests and assigned relative weightings to aspects of our business activities with a material impact on the environment, society and stakeholders. The weighting of the topics was done based on NOVOMATIC's core business and on significant strategic challenges. Inputs from stakeholder meetings and internal discussions were incorporated into the subjects' weightings.

Due to the largely autonomous way in which our subsidiaries operate, the data are not yet uniformly comparable. This report, therefore, is for the most part limited to describing the situation in Austria, with environmental data referring only to the Gumpoldskirchen location. We do plan to expand the database to the Group level, but this we regard as a long-term project. For reasons of confidentiality, we do not publish any information pertaining to investments in research & development. Similarly, NOVOMATIC has also made a conscious decision not to publish the amounts which it invests in sponsorship and social initiatives, since we want to draw attention to the results and successes of our partnerships and not to the financial assets deployed.

Dr. Monika Racek (Head of CSR) is available at [csr@novomatic.com](mailto:csr@novomatic.com) for questions, suggestions and criticism. We wish to explicitly invite our readers to enter into dialog with us, and we look forward to receiving feedback and constructive criticism regarding our report.



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"No sustainable development without transparency" is the motto of the Global Reporting Initiative (GRI). The Global Reporting Initiative provides an extensive reporting framework in close collaboration with the UN Global Compact. The guidelines of the Global Reporting Initiative make it possible for companies to give account of their economic, ecological and social achievements in the form of a sustainability report. With our orientation toward the GRI guidelines (third generation), NOVOMATIC indicates its commitment to transparency and internationally comparable reporting standards.

This report fulfills the requirements for Application Level C of the Global Reporting Initiative. In addition, we voluntarily submitted our report for review by an outside partner. You can find additional information on the Global Reporting Initiative at: [www.globalreporting.org](http://www.globalreporting.org)

Application Levels	C	C+	B	B+	A	A+	
Required Criteria	G3 Profile Disclosures	Report on: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for level C plus: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for level B	Report Externally Assured
	G3 Management Approach Disclosures	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Respond on each core G3 and Sector Supplement* Indicator with due regard to the materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

# Independent Limited Assurance Statement

## on Certain Aspects of the NOVOMATIC Sustainability Report of 2010

We have reviewed the data and information disclosed in the chapters “Responsible Gaming”, “Our Employees”, “Sustainable Business” and “Corporate Citizenship” of the Novomatic Sustainability Report of 2010 (the “Report”). The Report and the underlying procedures, systems and structures, including subject matters and criteria, are the responsibility of Novomatic’s Management. Our responsibility is to issue a conclusion based on our review. We conducted our review in accordance with the International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” in order to obtain limited assurance on the subject matter covered by the assignment. The evidence-gathering procedures in a limited assurance engagement are more limited than in a reasonable assurance engagement, for which reason a lesser degree of assurance can be obtained. This engagement was performed on the basis of the “General Conditions of Contract for the Public Accounting Professions,” as issued by the Chamber of Public Accountants and Tax Advisors in Austria on 8 March 2000 and revised on 22 March 2010 (“AAB 2010”). According to Section 8 AAB 2010 our liability is limited to willful intent and gross negligence. In cases of gross negligence the maximum liability is limited to EUR 726,730. This amount constitutes a total maximum liability cap which may only be utilized up to this maximum amount even if there is more than one claimant or more than one claim has been asserted.

### Subject Matters

We have reviewed the data and information disclosed in the chapters “Responsible Gaming,” “Our Employees,” “Sustainable Business” and “Corporate Citizenship,” whereas the review was limited to the data and information covering Austria.

### Criteria

Based on an assessment of materiality and risk we have evaluated the obtained information and documents with respect to the conformity of the subject matters with following criteria:

- » **Relevance/Materiality**
- » **Balance**
- » **Comparability**
- » **Accuracy**
- » **Reliability**
- » **Clarity**

### Proceedings

Our work included analytical procedures as well as interviews with employees from the headquarters in Gumpoldskirchen notified by the management representatives of Novomatic.

### Limitation of reliability of the review

Our engagement is limited to the data and information disclosed in the chapters “Responsible Gaming,” “Our Employees,” “Sustainable Business” and “Corporate Citizenship” with regard to Austria. We have not performed any assurance procedures on other data or information presented in the Report. We have not tested comparative data, derived from the Sustainability Report 2009. The scope of our review was limited to samples. Our work was performed on a sample basis as we deemed necessary in the particular case, but did not include any substantial testing. Therefore, the assurance that we obtained from our evidence gathering procedures is limited.

### Conclusion

Based on our work described above, nothing has come to our attention that causes us to believe that: data and information in the chapters “Responsible Gaming”, “Our Employees”, “Sustainable Business” and “Corporate Citizenship” regarding Austria are not appropriately disclosed.

Vienna, April 20, 2011  
Deloitte Audit  
Wirtschaftsprüfungs GmbH

**Dr. Michael Heller**  
Financial Auditor

**ppa. DI Hannes Senft**  
Engagement Manager

This English translation of the assurance statement for the year ended on 31st December, 2010 was prepared for the company's convenience only. It is not a binding legal translation of the German assurance statement for the year ended 31st December, 2010. In case of differences between the English and the German versions the latter shall prevail.





**Consolidated  
Financial Statement  
NOVOMATIC AG-Group**

# Management Report

on the 2010 Individual Financial Statement and Consolidated Financial Statement  
NOVOMATIC AG, Gumpoldskirchen

## 1. Economic Framework

Following the severe recession of 2009, the global economy recovered considerably in 2010 with average growth of 3.9 percent. According to a forecast by the World Bank, this worldwide boom will lose some momentum in 2011. Even so, growth by 3.3 percent should be possible, and World Bank calculations have the economy picking up again by 2012 with growth of 3.6 percent.

The World Bank reports that growth in the major industrial nations will be considerably weaker in 2011, with those economies growing only by 2.4 percent (2010: 2.8 percent), followed by 2.7 percent in 2012. The World Bank expects that emerging nations and developing countries will continue to drive growth in the future. Therefore, they will bear half the growth at 6 percent in 2011 and then 6.1 percent in 2012. The most rapid growth last year was registered by China, at 10 percent. The overall Asia Pacific region grew by 9.3 percent, and the World Bank expects 8.7 percent growth for China in 2011.

The boom in the Austrian economy will continue, according to the Austrian Institute of Economic Research (WIFO). Exports and the production of goods are expected to profit from strong international demand. WIFO forecasts 2.2 percent economic growth in 2011 and 2 percent in 2012.

## 2. Development and Trends in Gaming

In 2010, the global gaming market recovered in the wake of the financial and economic crisis and began registering its first significant post-crisis growth. In the USA, where considerable declines in bets became evident as early as the end of 2007 – particularly in so-called destination gaming, for instance in Las Vegas with declines of up to ten percent per year – the downward trend was largely halted in 2010. According to the study “Playing to win: The outlook for the global casino and online gaming market to 2014” by the well-known auditing company PricewaterhouseCoopers (PwC), gross gaming proceeds in the USA only dropped by 1.3 percent last year. Renewed growth (2.7 percent) in the USA is expected to occur in 2011.

According to PwC calculations, overall growth – at a rate of 8.8 percent – returned to the worldwide gaming market in 2010. This was thanks mainly to the Asia Pacific growth region, and to Macao and Singapore in particular. In Macao alone, gross gaming earnings increased by 57.8 percent in 2010, amounting to four times those of Las Vegas. The 15 gaming markets in the Asia Pacific region generated 29.5 percent of worldwide turnover in 2010 and are slated to grow by another 23.6 percent by 2014.

Following three years of negative growth in Europe's gaming markets (2008: -2.9 percent; 2009: -12.2 percent; 2010: -6.2 percent), PwC is forecasting a resumption of growth in 2011 at a projected 1.6 percent. Europe experienced its drop in gaming turnover somewhat later than the USA. Aside from macroeconomic factors, the earnings losses experienced by gaming operations were also partly attributable to new smoking bans in various jurisdictions.

In contrast, markets in Latin America were much less affected by the economic downturn. It even proved possible to achieve growth there during the years of crisis. According to PwC's forecast, continued average growth of 12.8 percent is expected in that region until 2014.

The global gaming market is dominated by lotteries and casinos, with each of these categories accounting for around 30 percent of the total market. Gaming machines outside of casinos form the third largest market segment worldwide, at around 23 percent. Based on sales channels, the total share held by terrestrial gaming is 85 percent, while the share of online gaming is estimated to have now grown to 15 percent.

The European market differs from this quite clearly, however. Here, gaming machines dominate the market. The most recent data available puts their share of the market at 37 percent. Since more than 80 percent of turnover in casinos is also attributed to gaming machines, these two segments dominate the market and are thus clearly ahead of classic lotteries with a market share of 34 percent. The most important markets for gaming machines are Germany (235,000 units), the UK (240,000 units), Spain (250,000 units) and Italy (400,000 units).

Whereas the gaming market in the USA is considered to be largely saturated, there is still potential for growth in Europe (in Italy and Spain, for instance), as well as in Latin America and in certain Asian markets. The main driving forces for this growth are slot gaming and online gaming. In casinos, the shift from live to machine-based gaming continues.

According to the "Green Paper on on-line gaming in the Internal Market" published by the European Commission on 24 March 2011, Internet-based online gaming generated gross revenues of EUR 4.8 billion EU-wide in 2003. The Green Paper forecasts EUR 7.32 billion for 2012, a projected increase of 152.5 percent. In terms of gaming machines, the trend from reel to video machines with new, additional features is continuing. The topic of networking is becoming ever-more important. Information systems and networked video lottery terminals (VLT), as well as – increasingly – server-based and downloadable gaming, are on the rise.



When one regards the example of Italy, where in 2009 new licenses for a total of 57,000 VLTs were granted, it becomes clear that VLTs may have considerable future potential in other markets due to their increased transparency – for instance in connection with the payment of taxes.

Mobile phone gaming has yet to achieve any significant market share, but it is developing into an interesting line of business due to the new generation of smartphones and iPads. According to the EU Green Book, gross gaming earnings in this segment are set to increase by 450 percent from EUR 0.78 billion in 2003 to EUR 3.51 billion in 2012.

It is still too early to say whether the recent poker boom in the online segment and in casino operations will continue.

### **3. NOVOMATIC AG General Corporate Development**

#### **a. Rough Analysis of Important Business Development as well as Overview of Financial Data**

NOVOMATIC AG is a globally active gaming company with an integrated market strategy as a manufacturer and operator, as well as in its role as a content provider of games for licensed online and offline providers. During the reporting period, the company overcame continued trying economic conditions to assert its position as Europe's leading integrated gaming enterprise and high-tech developer of gaming equipment; as well as one of the top players in the industry worldwide.

The company's dual capacity as a manufacturer of state-of-the-art gaming equipment and an operator of casinos, electronic casinos and sports betting outlets proved to be particularly well-suited to this still somewhat challenging market environment. Overall, however, the general economic situation in the markets of the NOVOMATIC AG Group was characterized – at least during the first half of 2010 – by the global economic crisis, with certain Eastern European countries hit very hard.

In its 30th anniversary year, NOVOMATIC AG reinforced its position as one of Austria's leading technology companies and once again confirmed its status as an attractive employer headquartered in Austria. In the 2010 Austrian brand value study, NOVOMATIC AG took seventh place among Austria's top brands with a brand value of 1.938 billion (2009: eighth place). NOVOMATIC AG made use of the favorable capital market situation around the end of 2010 to issue a corporate bond in 2 tranches with a total amount of EUR 350 million. The bond was in especially high demand among private investors. The proceeds from the sale of the bond will be used to optimize the financing structure, as well as for investments and acquisitions.

During the reporting period, the NOVOMATIC AG Group further intensified its information offensive regarding gambling addiction prevention. In addition to developing a competence network in the area of responsible gaming, new NOVOMATIC regional gambling addiction representatives from all over Austria (selected last year) were advised and trained by recognized experts regarding the problems of pathological gambling in further intensive training sessions. Due to the great importance of the topic, this type of training has been implemented as an integral part of the enterprise's internal training program.

Amendments to the Austrian gaming law passed in 2010 have altered the legal framework for gaming in Austria, in particular with respect to the following points: the maximum number of gaming machines in Austria is now limited, new concessions for the operation of gaming machines must be purchased and other providers will also be given the opportunity to purchase concessions for the operation of casinos in Austria. Furthermore, the technical complexity of operating gaming machines has now increased due to required networking with Bundesrechenzentrum GmbH (the Austrian Federal Computing Center).

The NOVOMATIC AG Group aims to solidify its market position in Austria on the basis of the new legal situation and will above all attempt to obtain new concessions for existing locations as well as new ones for machine gaming as well as for casino operations. This, however, is particularly dependent on the responsible authorities granting the necessary concessions.

## Consolidated Financial Statement

NOVOMATIC AG's consolidated financial statement has been prepared according to the reporting and valuation principles of IFRS (International Financial Reporting Standards).

### Turnover and Earnings Performance

<b>PROFIT AND LOSS ACCOUNT (CONDENSED VERSION)</b> (in Million EUR)	2010	2009	Difference in %
<b>Revenues</b>	1,183.7	1,058.4	11.8
Material cost and cost for purchased services	-263.1	-251.4	4.7
Personnel expenses	-264.7	-232.7	13.7
Amortization/Depreciation	-226.3	-213.5	6.0
Other operating expenses	-442.1	-386.3	14.4
<b>EBITDA (= operating profit plus depreciation and amortization)</b>	449.4	399.2	12.6
<b>EBITDA margin in %</b>	37.9	37.7	0.7
<b>EBIT (= operating profit)</b>	223.1	185.8	20.1
Financial result	-24.9	-18.1	37.6
<b>Profit from continuing operations</b>	<b>132.5</b>	<b>101.5</b>	<b>30.5</b>

In fiscal year 2010, Group turnover totaled EUR 1,183.7 million, an 11.8 percent improvement over 2009.

This positive development is attributable in particular to an increase of 29.3 percent in earnings from production, thanks to the abatement of international casino operations' and electronic casino operators' reluctance to invest.

The most significant share of the EUR 508.0 million in slot machine income for 2010 came from revenues amounting to EUR 219.4 million in Austria and EUR 110.6 million in Germany.

This was offset by increased expenses for material and purchased services, which rose to EUR 263.1 million in 2010 (2009: EUR 251.4 million). Due to the expansion-related increase in the number of employees, personnel expenses increased by 13.8 percent.

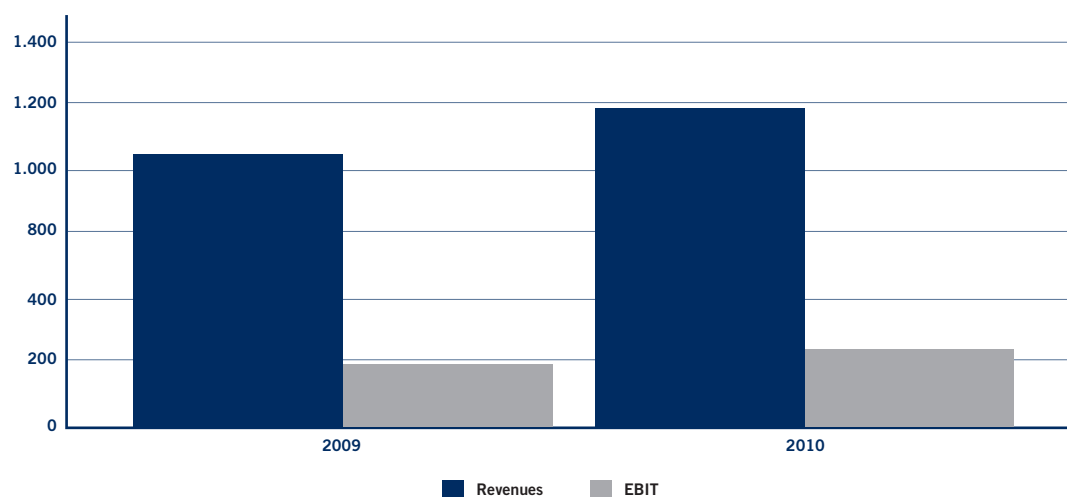
Similarly, other operating expenses rose from EUR 386.3 million to EUR 442.1 million in 2010. A significant amount (EUR 107.8 million) of these expenses came from gaming-related taxes.

Depreciation across the Group rose by 6.0 percent compared to the previous year due to heavy investment activity in gaming machines.

This resulted in an EBITDA of EUR 449.4 million for fiscal year 2010 compared to EUR 399.2 million in fiscal year 2009. This means a slight increase of the EBITDA margin from 37.7 percent to 38.0 percent.

Operating profit also exhibited a clear rise, increasing by 20.1 percent or EUR 37.3 million to total EUR 223.1 million.

## Development of Revenues and EBIT (in Million EUR)



The financial result registered a value of EUR -24.9 million compared to EUR -18.1 million in 2009. The reason for this change was the issuing of bonds.

After accounting for taxes amounting to EUR 65.6 million, the Group achieved an annual surplus from ongoing operations in the amount of EUR 132.5 million. This represents an increase of 30.5 percent compared to 2009.

### Cash Flow

Across the Group, cash flow from operations in 2010 totaled EUR 286.9 million compared to EUR 380.9 million the previous year.

Cash flow from investment activity was EUR -377.4 million in 2010 and hence EUR 45.5 million less than in 2009, the year during which the Group's new headquarters was constructed.

Cash flow from financing activity was EUR 146.1 million in 2010, mainly due to the issue of two bonds for the purpose of financing the expansion of business activities in Italy and in order to restructure financing.

### BALANCE SHEET STRUCTURE (in Million EUR)

Balance Sheet (condensed version)	2010	2009	Change in %
<b>Assets</b>			
Non-current assets	1,217.6	1,009.1	20.66
Current assets	610.9	506.3	20.66
<b>Total assets</b>	<b>1,828.5</b>	<b>1,515.4</b>	<b>20.66</b>
<b>Liabilities and Equity</b>			
<b>Equity</b>	<b>739.1</b>	<b>639.6</b>	<b>15.56</b>
Non-current liabilities and provisions	829.9	412.9	100.99
Current liabilities and provisions	259.5	462.9	- 43.94
<b>Total liabilities and Equity</b>	<b>1,828.5</b>	<b>1,515.4</b>	<b>20.66</b>

Total assets rose compared to December 31, 2009 by EUR 313.0 million to EUR 1,828.5 million on December 31, 2010.

On the asset side, this increase is primarily attributable to doubling the other non-current assets from EUR 42.1 million to EUR 84.4 million. This was due to further cooperative activities with local concession holders in Italy. Total Group investment activity in



2010 was EUR 348.2 million, of which EUR 13.0 million was due to investments in intangible assets and EUR 335.1 million were accounted for by property, plant and equipment. Compared to 2009, this represents a decline in investments of EUR 30.2 million.

The largest share of investments in property, plant and equipment of EUR 226.4 million was represented by investment in gaming machines built mainly within the Group. The investments in intangible assets in 2010 consist mainly of investments in rights amounting to EUR 10.9 million.

<b>INVESTMENTS</b> (in Million EUR)	2010	2009
Total intangible assets	13.02	69.31
Total property, plant and equipment	335.14	309.05
<b>Total investments</b>	<b>348.16</b>	<b>378.36</b>

Similarly, current assets increased by 20.7 percent to total EUR 610.9 million. Here, the largest share is the bank deposits with EUR 211.2 million, representing an increase of 33.7 percent compared with the previous year. This increase in bank deposits is due primarily to the issue of bonds.

Deferred tax assets amounted to EUR 31.1 million in 2010, compared to EUR 26.9 million in 2009.

Equity capital rose by EUR 99.5 million to total EUR 739.1 million, of which EUR 42 million consisted of non-controlling interests. Otherwise, equity capital is made up of the registered capital of NOVOMATIC AG totaling EUR 26.0 million, the capital reserves of EUR 1.0 million and retained earnings of EUR 693.8 million, as well as valuation reserves as per IAS 39 (totaling EUR -1.0 million) and the currency translation adjustment (equal to EUR -23.1 million). The share of equity capital in total capital is now 40.4 percent, compared to 42.2 percent in the previous year. The return on equity is 17.6 percent.

Long-term liabilities doubled during the past fiscal year to total EUR 829.9 million; the most significant changes here are attributable to the issue of new bonds totaling EUR 350 million for financial restructuring and expansion.

Short-term liabilities, on the other hand, dropped by EUR 204.1 million to EUR 254.5 million; this was due to their partial conversion to long-term liabilities.

<b>SELECTED KEY FIGURES:</b>	2010	2009
<b>Equity capital as a percentage of total capital</b>		
(equity capital to total capital as of December 31)	40.42%	42.21%
<b>Return on equity</b>		
(group result to group equity capital as of December 31)	17.55%	10.18%
<b>Return on assets</b>		
(annual surplus plus interest cost to total capital as of December 31)	8.59%	4.99%
<b>Gearing</b>		
(outside capital to equity capital as of December 31)	147.41%	136.93%
<b>Equity to fixed assets ratio</b>		
(non-current assets to equity capital as of December 31)	60.70%	63.38%
<b>Net debt to EBITDA</b>		
(financial liabilities minus liquid funds to EBITDA as of December 31)	1.14	0.89
<b>Working capital in million €</b>		
(current assets minus short-term liabilities as of December 31)	351.4	43.3

**b. Segment Analysis with Information on Key Segment Data****Rental****General**

Rental of gaming machines is an important element of the Group's integrated strategy. The NOVOMATIC AG Group has the goal of only renting its own products in selected market segments, rather than selling them.

Total turnover from renting gaming machines was EUR 394.8 million in fiscal year 2010, and has remained stable in the reporting period with positive development in individual markets.

**Austria**

Revenues were maintained at last year's level of EUR 17.2 million.

**Germany**

Rental turnover of EUR 355.6 million was achieved in Germany in 2010. A significant share of this result came from rental turnover with NSM LÖWEN Entertainment, which totaled EUR 275.6 million, and this in turn increased the number of rented gaming machines.

**UK**

During the reporting period, the rental segment in the UK was still suffering from the difficult economic situation. Rental turnover of EUR 2.2 million was achieved in 2010.

**Italy**

The NOVOMATIC AG Group accomplished a significant market entry in Italy last year where, as a consequence of new legal conditions, licenses were awarded for a total of 57,000 centrally networked video lottery terminals (VLTs). The NOVOMATIC AG Group has signed long-term agreements with nine of the total of ten concessionaires for 22,000 VLTs. Around 2,500 of these were in operation by December 31, 2010.

Consequently, gaming machine rental turnover in Italy grew to EUR 1.2 million in the reporting period, with the rollout of the most important segment of video lottery terminals only having begun in October 2010.

**CEE**

In the Baltic States, rental turnover of the AGI subsidiaries stagnated in 2010, totaling only EUR 1.3 million.

The number of rented gaming machines in Hungary rose despite the difficult market situation in the wake of the economic crisis and of a decline in the number of gaming machines in the overall market. This made it possible to expand market share. Turnover reached EUR 5.4 million.

**SEE**

In Croatia, the business of renting gaming machines declined anew due to the persistent economic crisis and the resulting difficult circumstances faced by rental customers. Turnover in 2010 amounted to EUR 1.9 million.

Renting of gaming machines in Romania ended up registering renewed losses in 2010 compared to the previous year's level due to the effects of the economic crisis, even though the downward trend stopped during the course of the year and rental turnover amounting to EUR 1.6 million was achieved.

**Rest of the World**

Renting of the gaming machines of AGI Africa Ltd. was positive.

## Sales

### General

The market situation during the reporting period proved difficult, at least for the first half of the year, because sales of new units continued to be restrained due to the large number of used units (from Eastern Europe – specifically from Russia and the Ukraine, where all gaming operations were closed with just a few exceptions in the first half of 2009).

However, sales revenue stabilized in the second half of the year compared to 2009, even increasing in individual markets despite the still quite noticeable reluctance of international gaming operations to invest. Altogether, sales revenue of EUR 169.6 million was achieved in 2010.

Once again in 2010, Austrian Gaming Industries GmbH (AGI), the NOVOMATIC AG Group's subsidiary responsible for research, development, sales and marketing, was able to impressively assert its position as one of the global market leaders in the arena of electronic multiplayer systems as well as attractive and interactive games, despite a difficult economic environment. This success is based not least on the vision developed by NOVOMATIC founder Prof. Johann F. Graf almost 20 years ago – that of combining the appeal of classic live games with the possibilities afforded by state-of-the-art technologies.

At the most important gaming exhibition worldwide, the 2010 “International Gaming Exhibition” (IGE) in London, Austrian Gaming Industries GmbH once again presented many new products in late January of this year. In addition to new cabinet series and new games, a new server-based gaming platform was presented. Its server-based video lottery solution affords the operator all the advantages of server-based gaming while ensuring the greatest possible operating security. NOVOMATIC VLTs enable the operator to configure its own combinations of games at several locations via a central server and thus cater to the individual preferences of guests. Furthermore, the mandatory direct connection to the authorities is also possible.

### Austria

Sales revenue increased considerably over 2009, amounting to EUR 11.9 million in 2010. The reluctance to invest on the part of casino operations and operators of electronic casinos abated during the course of the year.

### Germany

In Germany, where the NOVOMATIC AG Group now has a market share of more than 50 percent in the gaming machine sector, the attractive range of products and successful sales strategy once again produced extremely satisfying sales results for the subsidiary NSM-LÖWEN Entertainment GmbH in Bingen am Rhein, amounting to EUR 22.8 million. Despite the economically difficult period, NSM-LÖWEN managed to maintain the market leadership it had achieved in this segment, and proceeded to further expand it at a high level.

With sales turnover amounting to EUR 3.4 million, Crown Technologies GmbH in Rellingen also managed to continue its growth in the German market. In connection with turnover and earnings, Crown was able to register the most successful year in its corporate history.

Total turnover from sales reached EUR 48 million in 2010.

The German business of the NOVOMATIC AG Group was reorganized according to company law in September. NSM-LÖWEN Entertainment GmbH acts as the new interim holding company for Crown Technologies GmbH, Extra-Games Entertainment GmbH and BPA Freizeit- und Unterhaltungsbetriebe GmbH. The new corporate group is now the biggest player in the German market for commercial gaming.



**UK**

Astra Games Ltd., a leading British manufacturer of gaming equipment specializing in the development of gaming products specifically for the UK market, introduced a new focus in 2009 in the area of remote gaming to supplement its traditional business of manufacturing gaming machines for the British market. New partnerships were forged and further developed as a content provider for licensed third party providers with our own remote gaming platform. In 2010, these activities were expanded even further in order to develop a new third branch of business for the entire corporate group in addition to production and operations. This additional line of business allows the generation of more turnover, which is to be increased continuously during the years to come.

The sales segment, on the other hand, continues to suffer from the difficult economic environment, which is producing continued weak demand on the part of machine operators in the UK. Sales outside the UK have developed positively, however, allowing Astra to slightly exceed the levels of turnover and earnings of fiscal year 2009 with sales turnover amounting to EUR 12.3 million.

**Spain**

The Spanish gaming market offers great market potential and remains an important target market for the Group. However, the development of turnover and earnings still lags behind expectations. Therefore, the strategy of carefully developing market know-how and the infrastructure for the future market presence continues to be consistently pursued. In 2010 it was possible to obtain licenses to sell gaming machines in Spain's various autonomous regions, and sales revenue amounted to EUR 2.5 million.

**CEE**

In the Baltic States, the turnover of the AGI subsidiaries suffered major sales setbacks during fiscal year 2009 due to a lack of demand; this has also led to stagnation in 2010.

In Hungary, production earnings from the wiring harness factory developed extremely well despite the challenging economic conditions.

**SEE**

Sales revenue amounting to EUR 11.5 million was achieved in the entire Southeast Europe region in fiscal year 2010.

The new headquarters of the Group in Romania, centrally located and close to Bucharest Airport (Otopeni), was officially opened in early November of 2010. A total of EUR 20 million was invested in the 12,000 square meter property which includes 5,000 square meters of office and warehouse space. Sales revenue totaled EUR 2.3 million.

**Rest of the World**

Sales in Latin America developed quite positively. Last year in Mexico, for example, a promising new key market was opened up following the new regulation of Class III gaming, which resulted in sales of EUR 14.5 million in 2010.

There was also encouraging development of sales revenue once again in Peru (EUR 18.6 million) by the local AGI subsidiary Crown Gaming Peru as a result of the economic recovery in the region following a decline in 2009.

In the same way, Argentina was able to achieve renewed sales success in 2010 with sales revenue amounting to EUR 6.5 million.

Business development of AGI Africa Ltd., a subsidiary of Austrian Gaming Industries GmbH in Africa, was once again positive in the sales segment despite difficult economic conditions. Sales revenue amounted to EUR 6.0 million in fiscal year 2010.

## Gaming Operations

### General

2010 proved still to be a very trying fiscal year in certain countries. The number of gaming operations being run had to be re-dimensioned, and location optimizations were necessary in markets affected particularly hard by the crisis, as well as by the introduction of bans on smoking. Nonetheless, NOVOMATIC AG managed to maintain its position as a leading operator of electronic casinos in core markets such as Central and Eastern Europe (CEE) and in Southeastern Europe (SEE).

In many Eastern European countries there were decreases in turnover and profits due to the ongoing recession in some instances (e.g. in the Baltic region) and due to more complicated regulatory framework conditions. However, cost-reducing steps were taken for the affected gaming operations, and the crisis was used as an opportunity for location optimizations as well as for better market positioning. These measures, which had already led to positive results in the second half of 2010, were aimed at emerging from the crisis stronger than the rest of the market.

### Austria

Austrian Gaming Industries GmbH's Austrian gaming operations also performed well in the difficult 2010 market environment thanks to the organic growth of the three locations (casinos). The turnover and earnings figures of Austrian Gaming Industries GmbH in this segment totaled EUR 103.9 million in 2010, a slight increase compared to the previous year.

HTM Hotel und Tourismus Management GmbH (HTM) had a total of 83 (2009: 81) branch locations in Vienna. In all locations, gaming machines are operated subject to provincial gaming regulations.

In Lower Austria, fiscal year 2010 was once again a year of expansion for HTM due to consistent implementation of the Admiral Entertainment concept.

Wett Cafe Betriebsgesellschaft m.b.H has 31 (2009: 32) locations in Styria in which gaming machines are operated and sports betting is offered within the scope of provincial gaming regulations.

Both HTM Hotel und Tourismus Management GmbH and Wett Cafe Betriebsgesellschaft m.b.H exhibited positive company development in 2010 with a stable turnover and earnings situation despite a difficult market situation. HTM Hotel und Tourismus Management GmbH made revenue from slot machines amounting to EUR 75 million, while Wett Cafe Betriebsgesellschaft m.b.H made EUR 29.4 million.

### Germany

In 2010, the six casinos of the German SIM Group continued to suffer the effects of the State Gambling Treaty, non-smoker protection provisions and increasing competition from commercial gaming, all of which ultimately led to a drop in turnover.

On the other hand, the performance of Extra Games Entertainment GmbH, which operates in the commercial gaming segment, continued to be positive. The number of electronic casinos once again rose during the reporting period, from 183 to 200 locations. With machine turnover amounting to EUR 105.6 million, Extra Games was able to record the best year in the company's history. The growth pace decreased, however, compared to previous years. In 2010, as well, numerous locations were expanded and modernized.

BPA Freizeit & Unterhaltungsbetriebe GmbH, which was acquired in 2010, operates an additional 24 gaming operations and achieved turnover amounting to EUR 5.0 million in this segment.

**Malta**

Last year, NOVOMATIC AG and its partners in the NOVOMATIC Peninsular consortium obtained a ten-year concession for the operation of Casino Dragonara on Malta. Casino Dragonara offers more than 250 gaming machines as well as 23 live game tables and has a market share of almost 50 percent in Malta. In addition, Dragonara Catering Ltd. has been responsible for food services at the casino since August 2010. This investment is shown in the consolidated financial statement as an associated company.

**Italy**

Having already taken a major step in its expansion process by making several acquisitions in Europe's biggest market, totaling more than 400,000 gaming machines in fiscal year 2009, Adria Gaming International SpA achieved its breakthrough during the 2010 reporting period thanks to the distribution model for centralized networked video lottery terminals (VLTs). Adria Gaming and other subsidiaries now operate 45 gaming halls in Italy. Slot machine revenue of EUR 13.7 million was achieved in Italy in 2010.

**CEE**

In Latvia, the significant effects of the crisis have continued to aggravate the economic situation. The subsidiaries with more than 120 casino operations undertook consistent location optimization and implemented cost-cutting measures. This resulted in considerably improved earnings compared with fiscal year 2009. The subsidiary Barclajs was merged with Admiralu in order to achieve more efficient structures and thus a reduction in costs. On the whole, the departure of competitors allowed a market position that was strengthened compared to the overall market. Revenue from slot machines in Latvia was EUR 54.5 million in fiscal year 2010.

In Estonia, the extremely difficult economic conditions from the previous year continued in fiscal year 2010. Consequently, subsidiary locations were closed and cost-cutting programs were implemented.

In Hungary, 13 electronic casinos are operated. The turnover of the gaming operations rose to EUR 10.9 million in 2010 due to the opening of new locations and intensified marketing activities. With the newly opened gaming operations, however, initial losses had to be accepted. In the interest of sustained improving earnings, unprofitable locations were closed and cost-cutting programs were introduced.

In Belarus, a slight increase in turnover and earnings was achieved compared to the previous year, amounting to EUR 1.3 million. The number of locations remained unchanged.

**SEE**

In Croatia, as a consequence of the economic crisis as well as the introduction of the smoking ban that took effect in March 2010, the number of locations has now dropped to 42. The turnover and earnings situation has slipped slightly compared to that of the previous year. Turnover of EUR 22.1 million was achieved by the Croatian companies. Cost-cutting programs were implemented and the position as market leader was solidified through the optimization of locations.

The new Hotel & Casino Resort Admiral, which went into operation in December 2009, was able to establish itself in Kozina, Slovenia. Altogether, slot machine revenue of EUR 2.9 million was achieved in 2010.

The number of locations in Romania dropped considerably. However, it was possible to increase market share via acquisitions that had already been initiated before the economic crisis broke out, for example through the take-over of Fill & Play Slot S.r.l. This company will set up and operate gaming machines at filling stations. The goal was to further expand the market position in this important market. Due to the difficult economic conditions, however, the revenues of both previously established and newly acquired locations continued to fall. Revenue from slot machines amounted to EUR 18.8 million in 2010. As a consequence of the economic crisis, important competitors left the market and a consolidation and shake-out of the market was observed.

In Bosnia, there was an increase in turnover and earnings by the subsidiaries during the reporting period.



With slot machines revenue of EUR 17.2 million, the subsidiaries in Albania also experienced growth. The leading position of the NOVOMATIC AG Group in Albania was expanded further in August with the takeover of the gaming hall chain Astra Albania Sh.A. As a consequence of this takeover, the number of electronic casinos increased to 70.

The gaming market in Bulgaria had been re-entered during fiscal year 2009 through the acquisition of the Villox Group, an existing operator of electronic casinos. Due to the economic crisis and initial losses, however, it was not possible to achieve a profit. The appropriate optimization measures initiated during the reporting period resulted in an improvement in earnings for the second half of the year. Altogether, revenue from slot machines totaling EUR 2.9 million was achieved in 2010.

In Serbia, the number of gaming operations was expanded during the reporting period, resulting in turnover of EUR 2.8 million in 2010; this exceeded the previous year's level. Beo Gaming, a second Group company, went into operation in September.

Macedonia likewise continued to suffer the effects of the economic crisis in 2010. As the fiscal year progressed, however, there was a slight upwards trend; this improvement has not, yet, had a positive effect on earnings, however. There were 22 gaming facilities in the reporting period, which is three less than in 2009. Cost-optimizing measures were implemented to secure lasting, long-term earnings, and these measures have now begun to take effect. Macedonia achieved slot machine revenue of EUR 5.7 million in 2010.

MNA Gaming started operations in the Montenegro market in January of 2010.

#### Rest of the World

Chile was shaken by a massive earthquake on February 27, 2010. The resort casino Monticello Grand Casino & Entertainment World, operated as a joint venture since autumn 2008, lies within the region that was affected by the earthquake. Due to damage to the building, it was only possible to reopen the casino resort on June 30, 2010. The damage to the building as well as the losses caused by the interruption of operations were covered by a comprehensive insurance policy, in part with a deductible. Turnover has been positive since reopening. This investment is shown as an associated company in the consolidated financial statement.

In Africa, the turnover and earnings position in the gaming operations of the subsidiaries reached the level of the previous year.

In Peru, the number of locations (13) operated by Crown Gaming Peru remained unchanged during the reporting period. The company did see a slight increase in turnover and earnings, however. Revenue from slot machines in Peru amounted to EUR 17.0 million in 2010.

## Betting Operations

#### Austria

Admiral Sportwetten increased its number of branches in 2010 from 195 to 203. Admiral Sportwetten GmbH was able to increase turnover – thanks not least to a major athletic event, the Football World Cup in South Africa – and thereby continued the company's successful development. Betting income of EUR 31.4 million was achieved in 2010. In addition to its strategy of continued expansion, the main focus was the same as in the previous years, i.e. structural revitalization and media-related modernization of existing branches.

#### Italy

In Italy, the Group's market position in the betting segment was expanded through the acquisition of a betting operator, making for a total of ten (2009: 8) sports and horseracing betting offices owned by the Group. The newly acquired company also runs betting corners in third-party facilities, as well as taking bets electronically (online). Betting revenue in Italy amounted to EUR 1.8 million in 2010.

### c. Analysis of the Financial Data from the Individual Financial Statements

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

NOVOMATIC AG is the holding company of the NOVOMATIC AG Group, which performs the financing and controlling function in the Group. In addition, NOVOMATIC AG is the owner of significant amounts of the Group's property portfolio in Austria.

### Turnover and Earnings Performance

<b>FINANCIAL KEY FIGURES</b> (in Million EUR)	2010	2009	Change in %
Revenues	<b>39.1</b>	34.5	13.4
Personnel expenses	<b>5.0</b>	3.7	35.3
Amortization/Depreciation	<b>15.8</b>	12.5	25.7
Other operating expenses	<b>23.5</b>	19.5	20.3
EBITDA	<b>13.3</b>	12.3	8.6
EBITDA margin in %	<b>34.1</b>	35.6	
Financial result	<b>40.5</b>	25.0	62.3
Profit for the year	<b>40.1</b>	25.7	56.4

At EUR 39.1 million, the revenue of NOVOMATIC AG exceeded that of the previous year by 13.4 percent. The most important differences were in the area of earnings from property rentals due to the year-round rental of the Group headquarters and in license revenues due to increased turnover on the part of the subsidiaries.

Personnel expenses of EUR 5.0 million increased compared to the previous year by EUR 1.3 million; this was due to expansion in the administrative area. Other operating expenses increased by EUR 4.0 million. This increase is explained by the expenses for two bonds issued in 2010 and by non-recurring expenses, which however were passed on in the other operating income.

Therefore, earnings before interest, taxes, depreciations and amortizations (EBITDA) only increased by EUR 1.0 million to EUR 13.3 million. At 34.1 percent, the EBITDA margin even dropped slightly.

Depreciations increased by EUR 3.3 million to EUR 15.8 million due to intensified investment activity, above all in the area of intangible assets.

The financial result increased by EUR 15.5 million to EUR 40.5 million, essentially due to higher income from investments and lower value adjustments in investment valuation compared to 2009, as well as due to increased interest cost stemming from the two additional bonds that were issued.

After income taxes of EUR 2.0 million, and taking Group taxation into account, there was a profit of EUR 40.1 million for the year compared to EUR 25.7 million in 2009.

## Assets Position

Total assets rose by EUR 239.1 million compared with December 31, 2009 to reach EUR 962.9 million. On the asset side, this increase is primarily attributable to the increase in fixed assets to the tune of EUR 147.0 million for a total of EUR 714.5 million. In terms of fixed assets, investments primarily have to do with the increase in stakes held in affiliated companies and in loans to affiliated companies.

Compared to the previous year, current assets registered an increase of EUR 90.4 million to make EUR 244.5 million, with receivables from affiliated companies increasing by EUR 18.1 million and other receivables and bank deposits increasing by EUR 70.3 million. Prepaid expenses exhibited an increase of EUR 1.7 million compared to the previous year.

The capital stock of the company is EUR 26.0 million. Including the capital reserves of EUR 1.0 million, retained earnings of EUR 1.6 million, net profit of EUR 161.1 million and untaxed reserves of EUR 0.2 million, the company's capital resources thus increased to EUR 189.9 million. Equity capital as a share of total capital is now 19.7 percent compared to 24.8 percent in the previous year.

Outside capital increased in the past fiscal year by EUR 228.6 million to total EUR 770.8 million. The most significant changes involve the increase in provisions by EUR 3.0 million to EUR 12.6 million, in bonds by EUR 350.0 million to EUR 500.0 million due to issuing two bonds for financing business activities in Italy, and the return of credit lines as well as other liabilities by EUR 9.3 million to EUR 13.5 million. Liabilities to banks dropped by EUR 132.1 million to EUR 240.4 million. Deferred income in the 2010 fiscal year increased to EUR 2.2 million.

### d. Non-financial Performance Indicators

#### Employee Issues

As of December 31, 2010 there were 10,956 employees working in the NOVOMATIC Group and 31 salaried staff members at NOVOMATIC AG. This corresponds to an increase of 10.5 percent at NOVOMATIC Group and 19 percent at NOVOMATIC AG. This increase reflects the continuation of growth.

As an international company, it is very important to the NOVOMATIC Group to have diversity in the composition of its staff. This can be seen in the high percentage of women at all levels and a multitude of employees of different nationalities. The age structure is balanced, with all age groups well represented.

It is very important to the NOVOMATIC Group to have qualified employees. With individual personnel and management development efforts, we make sure that we are equipped in the best possible way to handle future challenges in a complex environment. Important milestones have been the preliminary work towards the establishment of our own Novo Academy as well as training our prevention representatives in matters of player protection.

Our attractiveness as an employer is confirmed by rapid filling of relevant positions and a low rate of fluctuation compared to the industry.



## **e. Significant Events after the Financial Statement Date**

### **General**

At the end of January, the NOVOMATIC AG Group was present at the ICE 2011 in London, the largest and most important gaming trade fair in the world. It presented an entire range of new products and was able to once again prove its position as one of the industry's technology leaders.

### **Sales**

International casinos' reluctance to invest subsided after having dealt with the peak of the economic crisis. It is therefore expected that sales revenues, which have been down recently, will gradually recover in 2011. Some positive signals have already been observed in individual markets, which indicate increased willingness to invest on the part of international customers. In January, the NOVOMATIC subsidiary AGI entered into a cooperative venture with Jade Entertainment and Gaming Technologies Inc., based in the Philippine capital of Manila. The goal of this new partnership is to market NOVOMATIC gaming equipment more intensively in the Philippines and in mainland Asia.

After successfully licensing all Class B machines for all regions in Spain following participation in the FER Interazar trade fair, a sales offensive has begun in the important Spanish AWP market.

### **Rental**

In 2011, rental of gaming machines should profit in particular from the ongoing roll-out of video lottery terminals in Italy.

### **Gaming Operations**

In February 2011, NOVOMATIC AG acquired majority stakes in several companies of Spielbank Berlin, the largest casino in Germany.

Slight growth was observed in German machine operations despite the cost of converting to TR4.1.

Despite some positive signals, it is expected that gaming behavior in some jurisdictions in CEE and SEE will remain subject to limitations in fiscal year 2011 as a result of the economic crisis. As a result, expansion will progress more slowly overall.

## **4. Outlook**

### **a. Prospective Development of the Group**

In Austria, further business development is dependent on receiving approvals in accordance with the amendments to gaming legislation. The NOVOMATIC Group is proceeding on the assumption of a stable turnover and earnings situation for 2011.

In the area of international sales, further recovery of willingness to invest and opportunities in the new markets are expected.

Due to the absence of a major sports event, a decrease in turnover and a commensurate development in earnings is anticipated in the betting segment for 2011.

In Germany, discussions are underway concerning general regulatory conditions which may have long-term effects on business success in the area of commercial gaming and casino operations. Slight expansion is planned for gaming operations.

NOVOMATIC AG corporate management expects increasing revenue and earnings in Italy as a consequence of the introduction of VLTs.

Further improvements to turnover and earnings are expected in CEE and SEE as a result of selective market development.

Due to the favorable economic environment, positive business development is expected in Central and South America. Increasing earnings are also expected in the online sector.

## **b. Important Risks and Uncertainties**

### **Economic Risks**

The NOVOMATIC AG Group is subject to the risk of macro-economic shock as a long-term consequence of the economic crisis of 2009, including declining economic growth, rising unemployment rates and decreasing disposable income.

### **Legislative Risks**

Legislative risks can arise from dependence on and changes to laws, directives and regulations, especially in the area of licensing for the operation of gaming institutions and in the areas of production, distribution and product licenses. Additional risks exist in the areas of product liability, consumer protection and non-smoker protection, as well as due to the intensification of international money laundering prevention efforts.

### **Change in Customer Behavior**

Diverse recreation and entertainment offerings entail constantly changing customer behavior. Thus, product adaptations and constant new innovations are necessary to assert the company's market position in the target markets. It cannot be ruled out that customer or consumer desires may be recognized either not at all or only when it is too late.

### **Technology Risk**

NOVOMATIC AG operates in a highly technology-dependent market in which new technologies are developed or used with short innovation cycles. It cannot be ruled out that innovative technologies and developments may fail to be developed or made usable fast enough.

The NOVOMATIC AG Group is also subject to the risk of imitation and software piracy as well as the risk of illegal intervention in the gaming system by third parties.

### **Operating Risks**

The risks of business interruption and financial losses are covered by an insurance policy.

## **c. Use of Financial Instruments**

Financial instruments are contracts that result in a financial asset for one company and a financial liability or equity instrument for another company at the same time. This includes original financial instruments like trade receivables and liabilities, financial receivables and financial liabilities, as well as derivative financial instruments for hedging against risks from changes to exchange and interest rates.

NOVOMATIC AG has an internationally diversified investor base. Its relationships with international banks and financial service providers are constantly being expanded. In addition to traditional loan financing, NOVOMATIC AG is making increased use of capital-market-based external financing.

Besides bilateral credit lines with banks, financial instruments also include syndicated credit facilities (syndicated loans), bonds and bonded loans. In addition to the bond from 2005, NOVOMATIC AG also issued two bonds from an issuing program conducted during the reporting period of 2010.

A bond with a 5-year term and a nominal value of EUR 200 million was issued in January 2010, followed by one with a 7-year term and a nominal value of EUR 150 million in October 2010.

Current liabilities are paid for out of cash flow. Furthermore, syndicated loans can be utilized on a revolving basis and serve as a liquidity backstop facility.

In the context of its external financing activities, NOVOMATIC AG is exposed to interest rate risk and to currency risk as part of its general business activity. A change in interest rates or exchange rates can have a positive or negative impact on the value of financial instruments (price change risk), as well as on the resulting interest income/loss (cash flow risk).

In order to limit interest rate risks, current interest rate trends are constantly monitored and hedged if needed.

In order to limit currency risks, changes in the corresponding exchange rates are monitored on an ongoing basis for transactions which are carried out in foreign currency. If necessary, these transactions are hedged in order to minimize the risk of exchange losses. A first hedge is initially provided through items that are naturally self-contained, for instance trade receivables in USD balanced by liabilities for the purchase of raw materials in USD. With regard to currency risks from operating business, the NOVOMATIC AG Group is in a USD net contributor position due to the material payments that are billed in USD.

The NOVOMATIC AG Group uses derivative financial instruments exclusively for hedging an underlying transaction that already exists. The basis of this is the hedging policy defined by the Board, which conforms to guidelines. The respective financial transactions are concluded only with contracting parties that have the best-possible credit rating. In addition, the assessment of derivative financial instruments has been supported since 2010 by a treasury management system that has been established in the industry and banking sector.

At NOVOMATIC AG, investments in affiliated companies and receivables and liabilities from affiliated companies represent important financial instruments. In order to monitor price changes and/or default risks, the Board keeps abreast of the relevant developments in these companies through regular Group controlling reports. Each month, the ongoing earnings trend is compared to the approved annual budget and checked for deviations.

Trade receivables are another default risk at the NOVOMATIC AG Group. In order to minimize the risk associated with receivables, customers' compliance with payment due dates is continuously monitored. If payment due dates are not met, the management of the respective Group company is informed immediately and proceeds to initiate appropriate collection measures. Sometimes, the default risk is reduced even further through additionally required collateral.

The considerable cash holdings resulting from business are protected from misappropriation via internal controlling measures.



## 5. Research & Development

For years now, the NOVOMATIC AG Group has been a pioneer in and one of the leading trendsetters of the worldwide gaming industry. It will remain in the vanguard of technological change in the industry in the years to come.

There are now eight internationally operating and interlinked competence centers in the corporate group, and the Group's portfolio of more than 1,000 industrial property rights is constantly growing within the context of a consistent policy of protecting intellectual property. These factors, along with above-average investments in research and development, are a powerful driving force which is set to not only maintain but also expand the technological edge established in past years in the areas of designing and developing high-quality gaming equipment.

Besides attractive new games in the single and multi-player segment coupled with the latest generation of state-of-the-art technologies in the hardware sector, the decisive success factor for the company in the years to come will be innovative software solutions – e.g. in the area of networked modular central server architectures.

Video lottery technologies connected with regulatory authorities, fixed odds and real time betting systems with bet placement during the course of an event, intelligent remote, online and mobile gaming solutions as well as the ever-more-popular community gaming business are just a few areas in which the NOVOMATIC AG Group will show how convincing its high-quality solutions are over the next few years. NOVOMATIC AG Group will likewise innovatively spearhead and co-determine the continuing trend towards server-based gaming and networking with central servers. These developments include a permanent focus on social responsibility in the area of player protection, in which an important task is to implement innovative system and product-integrated software solutions that go far beyond legal requirements in order to not only meet but exceed both the requirements of the supervisory and financial authorities for transparency and our customers' desire for optimization of the product mix in ongoing operation.

With its intensive development of new technologies in the remote gaming sector, the corporate group is striving to further strengthen and expand its new third branch of business in the Internet/online sector, for example as a content provider for licensed third-party providers as well as providers of online skill games.

## 6. Important Features of the Internal Control System Regarding the Financial Reporting Process

Regular, reliable and clearly structured reporting is an essential instrument of corporate governance. Therefore, one goal of enterprise-wide risk management is to create structures that ensure such flows of information. Here, the NOVOMATIC AG Group orients itself around the COSO framework “Enterprise Risk Management – Integrated Framework” and its target categories and components.

- **Control Environment:** The area of Group controlling and Group accounting as a business competence centre defines the cross-group standards for all controlling and accounting matters and governs the procedures and dates for the budget and financial statement process. Implementation in the decentralized units is the responsibility of the local management.
- **Risk Assessment:** The significant risks of misrepresentations in the consolidated financial statements are found in the assessment of gaming equipment inventory, the elimination of inter-company profits, and the assessment of corporate units. This also includes the uncertainty regarding the future market situation in the markets in question. Therefore, we must rely time and time again on assumptions and estimates.
- **Control Activities:** Individual financial statements are prepared locally in accordance with the requirements of the Group. At the individual company level, the bookkeeping and cost accounting system NAVISION by Microsoft is increasingly used as a Group standard. Moreover, Proalpha in Austria and SAP in Germany are in use as ERP systems.
- The data, which is audited by the auditor locally for the important companies, is transferred electronically in a standardized format and brought into the group consolidation in the consolidation tool CONSYS from IDL. Audits of the closure data assume verification of the data’s plausibility before and after consolidation.
- Monitoring the ongoing business processes during the course of the year is ensured via monthly reports to the Board and to middle management. Through this, possible mistakes or deviations in the financial reporting can be either avoided or identified and corrected. The analyses range all the way from reviewing the period results to in-depth analyses.
- **Information and Communication:** The Board keeps abreast of the relevant developments in the companies through regular Group controlling reports. Each month, the ongoing earnings trend is compared to the approved annual budget and checked for deviations.
- The Board itself informs the Supervisory Board on a quarterly basis concerning the development of the corporate group on the whole and according to business areas, as well as according to geographic segments. CONSYS by IDL, CUBEWARE COCKPIT, and PP Finance by Winterheller are used as planning and reporting tools.
- **Monitoring:** Monitoring of compliance with ongoing accounting processes, with the exception of preparing the annual financial statement, 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. Monitoring of the group consolidation, on the other hand, is done by the Board and subsequently by the auditing committee of the Supervisory Board.

## 7. Acknowledgements

Special thanks are extended to all employees of NOVOMATIC AG and its subsidiaries, without whom our renewed success in these trying economic times would not have been possible. We are especially indebted to the owner, Prof. Johann F. Graf, as well as the Supervisory Board, chaired by Senator Herbert Lugmayr. They have contributed significantly to the positive development of NOVOMATIC AG and thus once again created the basis for a successful future. We would also like to thankfully call attention to the positive relationships with our capital providers and business partners; relationships which have led to a prosperous and always enjoyable collaboration.

Especially in an industry which changes so quickly and is always characterized by new customer requirements, special degrees of effort and cooperation based on mutual trust between all involved are necessary to implement and achieve our common objectives. All those involved have once again proven just how capable they are of doing so.


Gumpoldskirchen, April 20, 2011



**DI Ryszard Presch**  
COO



**Dr. Franz Wohlfahrt**  
CEO



**Mag. Thomas Graf**  
CTO



**Mag. Peter Stein**  
CFO

# Consolidated balance sheet

as of 12/31/2010

ASSETS	Notes	12/31/2010 (KEUR)	12/31/2009 (KEUR)
<b>Non-current assets</b>			
Intangible assets	(1)	151,687	135,257
Property, plant and equipment	(2)	764,630	679,880
Investment property	(3)	29,640	26,376
Investments in associated companies	(4)	144,889	86,865
Non-current financial assets	(5)	11,276	11,733
Deferred tax assets	(6)	31,128	26,940
Other non-current assets	(7)	84,379	42,128
		<b>1,217,629</b>	<b>1,009,179</b>
<b>Current assets</b>			
Inventories	(8)	159,966	136,661
Trade and other receivables	(9)	149,129	133,025
Current tax receivables	(6)	15,427	15,622
Current financial assets	(10)	9,041	5,129
Cash and cash equivalents	(11)	277,324	215,838
		<b>610,887</b>	<b>506,275</b>
<b>Total ASSETS</b>		<b>1,828,516</b>	<b>1,515,454</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Share capital	(12)	26,000	26,000
Capital reserves	(13)	976	976
Retained earnings	(14)	693,831	605,385
Revaluation reserve acc. IAS 39	(15)	-607	-1,362
Currency translation adjustment	(16)	-23,123	-22,900
		<b>697,077</b>	<b>608,099</b>
Non-controlling interests	(17)	41,989	31,523
		<b>739,066</b>	<b>639,622</b>
<b>Non-current liabilities</b>			
Long-term financial liabilities	(18)	750,278	353,265
Long-term provisions	(19)	22,274	21,923
Deferred tax liabilities	(6)	39,499	24,459
Other non-current liabilities	(20)	17,865	13,212
		<b>829,916</b>	<b>412,859</b>
<b>Current liabilities</b>			
Short-term financial liabilities	(21)	37,347	215,939
Short-term provisions	(22)	49,591	50,809
Current tax liabilities	(6)	22,826	51,162
Trade and other liabilities	(23)	149,770	145,063
		<b>259,534</b>	<b>462,973</b>
<b>Total LIABILITIES AND EQUITY</b>		<b>1,828,516</b>	<b>1,515,454</b>



# Consolidated income statement

for the financial year 2010

	Notes	12/31/2010 (KEUR)	12/31/2009 (KEUR)
<b>Revenues</b>	(24)	<b>1,183,701</b>	<b>1,058,372</b>
Changes in inventories of finished goods and work in progress	(25)	16,007	26,420
Own work capitalized	(25)	164,457	136,680
Other operating income	(26)	55,158	48,113
Cost of material and other purchased services	(27)	-263,097	-251,391
Personnel cost	(28)	-264,729	-232,685
Amortization of intangible and depreciation of tangible assets	(29)	-226,336	-213,470
Other operating expenses	(30)	-442,080	-386,272
<b>Operating profit</b>		<b>223,081</b>	<b>185,767</b>
Share of the profit/loss of associated companies	(31)	-3,721	734
Financial income	(32)	12,171	10,508
Financial expenses	(33)	-33,372	-29,316
<b>Financial result</b>		<b>-24,922</b>	<b>-18,073</b>
<b>Profit before taxes</b>		<b>198,159</b>	<b>167,694</b>
Income taxes	(34)	-65,614	-66,148
<b>Profit from continuing operations</b>		<b>132,545</b>	<b>101,546</b>
<b>Loss from discontinued operations</b>	(35)	<b>-1,062</b>	<b>-42,623</b>
<b>Profit after taxes</b>		<b>131,483</b>	<b>58,923</b>
<b>Thereof attributable to non-controlling interests</b>		<b>1,740</b>	<b>-6,209</b>
<b>Thereof attributable to equity holders of the parent (net profit for the year)</b>		<b>129,743</b>	<b>65,132</b>

# Consolidated statement of comprehensive income

for the financial year 2010

	01 – 12/2010 (KEUR)	01 – 12/2009 (KEUR)
<b>Profit after taxes</b>	<b>131,483</b>	<b>58,923</b>
Exchange differences on foreign operations	401	-4,302
Gain/Loss arising on revaluation of assets held for sale	755	1,063
<b>Other comprehensive income for the year, net of tax</b>	<b>1,156</b>	<b>-3,239</b>
<b>Total comprehensive income for the year</b>	<b>132,639</b>	<b>55,684</b>
Thereof attributable to non-controlling interests	2,364	-5,925
Thereof attributable to equity holders of the parent	<b>130,275</b>	<b>61,609</b>

# Consolidated cash flow statement

	01 – 12/2010 (KEUR)	01 – 12/2009 (KEUR)
<b>Operating profit and profit/loss from discontinued operations</b>	<b>221,924</b>	<b>143,021</b>
Income/Loss from the disposal of fixed assets	-2,261	-551
Depreciation/Appreciation of fixed assets	224,712	225,829
Differences due to consolidation	83	0
Recognized capital consolidation	-128	-1,290
Other non-cash income and expenses	-1,011	0
Interest received	11,923	10,326
Change in inventories, trade receivables and other assets	-64,263	141,325
Change in provisions, trade liabilities and other liabilities	-12,893	-42,452
Taxes paid	-91,156	-95,304
<b>Cash flow from operating activities</b>	<b>286,930</b>	<b>380,904</b>
Proceeds from the disposal of fixed assets (excluding financial assets)	15,403	12,662
Proceeds from financial assets and other financial investments	0	14,280
Proceeds from the sale of consolidated companies	0	14,304
Expenditures for additions to fixed assets (excluding financial assets)	-317,896	-337,672
Expenditures for additions to financial assets and other financial investments	-46,081	-80,943
Expenditures for acquisition of companies	-29,309	-46,270
Net proceeds from associated companies and investments	493	754
<b>Cash flow from investing activities</b>	<b>-377,390</b>	<b>-422,885</b>
Change in non-controlling interests	933	3,591
Dividend payments	-30,120	-66,320
Proceeds from change in interests in subsidiaries (without loss of control)	2,850	6,485
Expenditures from change in interests in subsidiaries (without loss of control)	-9,658	-5,990
Proceeds from bank loans and financial liabilities	211,106	154,707
Interest paid	-29,036	-18,918
<b>Cash flow from financing activities</b>	<b>146,075</b>	<b>73,555</b>
<b>Change in cash and cash equivalents affecting payment</b>	<b>55,615</b>	<b>31,574</b>
Currency translation adjustments	394	-8,188
Changes in cash and cash equivalents due to changes in scope of consolidation	5,477	37
<b>Change in cash and cash equivalents</b>	<b>61,486</b>	<b>23,423</b>
Cash and cash equivalents at the beginning of the year	215,838	192,415
Cash and cash equivalents at the end of the year	277,324	215,838
<b>Change in cash and cash equivalents</b>	<b>61,486</b>	<b>23,423</b>

# Consolidated statement of changes in equity

All values in KEUR	Shares of the equity holders of NOVOMATIC AG					Total	Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Reserves acc. IAS 39	Currency translation adjustment			
<b>Balance on 01/01/2010</b>	<b>26,000</b>	<b>976</b>	<b>605,385</b>	<b>-1,362</b>	<b>-22,900</b>	<b>608,099</b>	<b>31,523</b>	<b>639,622</b>
1) Comprehensive income for the period			129,743	755	-223	130,275	2,364	132,639
2) Dividend payments			-30,000			-30,000	-120	-30,120
3) Change in non-controlling interests			-7,594			-7,594	1,067	-6,527
4) Changes in scope of consolidation			-3,703			-3,703	7,155	3,452
<b>Balance on 12/31/2010</b>	<b>26,000</b>	<b>976</b>	<b>693,831</b>	<b>-607</b>	<b>-23,123</b>	<b>697,077</b>	<b>41,989</b>	<b>739,066</b>

All values in KEUR	Shares of the equity holders of NOVOMATIC AG					Total	Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Reserves acc. IAS 39	Currency translation adjustment			
<b>Balance on 01/01/2009</b>	<b>26,000</b>	<b>976</b>	<b>580,877</b>	<b>-2,425</b>	<b>-18,314</b>	<b>587,114</b>	<b>37,864</b>	<b>624,978</b>
1) Comprehensive income for the period			65,132	1,063	-4,586	61,609	-5,925	55,684
2) Dividend payments			-40,000			-40,000	-15,970	-55,970
3) Change in non-controlling interests			-1,793			-1,793	15,554	13,761
4) Changes in scope of consolidation			1,169			1,169		1,169
<b>Balance on 12/31/2009</b>	<b>26,000</b>	<b>976</b>	<b>605,385</b>	<b>-1,362</b>	<b>-22,900</b>	<b>608,099</b>	<b>31,523</b>	<b>639,622</b>



# Notes to the consolidated financial statements

as of December 31, 2010

## Basis of Preparation and Methods

### 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 one of the largest integrated gaming corporations in the world. The organizations united in the holding company operate in the following areas of the gaming and entertainment industry.

Its field of activity and range of services comprise:

- Development, production and sale of gaming machines as well as casino equipment
- Planning, construction and management of casinos
- Operation of electronic amusement machine casinos, live game casinos, bingos, lotteries and international betting agencies
- Casino and entertainment technologies
- The use of innovative technologies
- Networking systems

### Accounting principles

The present consolidated financial statement as of December 31, 2010 was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU).

The business year corresponds to the calendar year. The financial statements of every fully consolidated domestic or foreign company included in the consolidated financial statement 2010 were prepared as of the balance sheet date of the consolidated financial statements.

The consolidated financial statement is done in Euro. For the purpose of clarity, all items in the consolidated financial statement are shown in thousand Euros (KEUR). Due to the financial rounding of values and percentages, insignificant differences can occur.

## Application of New and Amended Accounting Standards and Interpretations

First adoption of new or revised standards and interpretations in financial year 2010:

- The revised IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements” were applied to business combinations in 2010 and changes in interests without loss of control. The amendments of IFRS 3 mainly concern the accounting for and the valuation of assets and liabilities in the context of business combinations as well as the valuation of non-controlling interests. In the consolidated financial statements non-controlling interests are valued at their share in the net assets of the acquired company.
- Further amendments and interpretations had no substantial effects on the consolidated financial statements as of December 31, 2010.

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

Amendment of IAS 12 “Income Taxes: Deferred Tax – Recovery of Underlying Assets”	Applies to business years beginning on or after January 1, 2012; not yet adopted by EU legislation.
Revision of IAS 24 “Related Party Disclosures”	Applies to business years beginning on or after January 1, 2011.
Amendment of IAS 32 “Financial Instruments: Presentation – Classification of Rights Issues”	Applies to business years beginning on or after February 1, 2010.
Revision of IFRS 1 “First-time Adoption of IFRS”	Applies to business years beginning on or after July 1, 2010.
Amendment of IFRS 1 “First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	Applies to business years beginning on or after July 1, 2011; not yet adopted by EU legislation.
Amendment of IFRS 7 “Financial Instruments: Disclosures”	Applies to business years beginning on or after July 1, 2011; not yet adopted by EU legislation.
IFRS 9 “Financial Instruments”	Applies to business years beginning on or after January 1, 2013; not yet adopted by EU legislation.
Amendment of IFRIC 14 “Prepayments of a Minimum Funding Requirement”	Applies to business years beginning on or after January 1, 2011.
IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”	Applies to business years beginning on or after July 1, 2010.

The possible effects of IFRS 9 “Financial Instruments” during the year of initial adoption are currently being analyzed by management. The NOVOMATIC Group does not expect any significant impact resulting from the first-time application of the other standards and interpretations mentioned above on its financial position and its results of operation.

### Scope of consolidation

As the highest parent company, NOVOMATIC AG prepares the consolidated financial statement. These financial statements comprise NOVOMATIC AG and the companies it controls. The control over a subsidiary is presumed if NOVOMATIC AG owns directly or indirectly through an affiliate more than 50 percent of the votes of this company and therefore has the power to govern its financial and operating policies so as to obtain benefits from its activities. 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 under significant influence of, but cannot be considered controlled by NOVOMATIC AG.

During the year 2010 the group has acquired or founded the following subsidiaries:

- Greentube Internet Entertainment Solutions GmbH Group, Austria (100%)
- Treuhand 3 GmbH Group, Austria (80%)
- Gimau s.r.l., Italy (65%)
- Crown Gaming Mexico S.A. de C.V., Mexico (60%)
- Crown Gaming Services S. de R.L. de C.V., Mexico (60%)
- Treuhand 9 GmbH, Poland (100%)
- Octavian de Argentina S.A., Argentina (100%)
- Octavian Latin America S.A.S., Columbia (100%)
- Octavian SPb Limited Partnership, Russia (100%)
- Treuhand 10 GmbH, Switzerland (100%)
- Astra Albania Sh.A., Albania (100%)
- Novo Tehnologija d.o.o., Slovenia (80%)
- HTI Invest d.o.o., Slovenia (100%)
- AGI Gastro Kft., Hungary (100%)
- BPA Freizeit- und Unterhaltungsbetriebe GmbH, Germany (75%)

The following subsidiaries changed from non-consolidated or at equity to fully consolidated subsidiaries for the first time as of January 1, 2010:

- Mediteran Gaming d.o.o., Croatia (100%)
- AGI Africa (Pty) Ltd. – Group, South Africa (100%)
- Crown Gaming Paraguay S.A., Paraguay (65%)

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

Therefore, the scope of consolidation exhibits the following development:

Consolidation scope	Fully consolidated	At equity valuation
Balance on 12/31/2009	104	7
First-time inclusion in 2010	24	2
Released in 2010	-2	0
Merged in 2010	-4	0
Switched from at equity valuation to fully consolidated in 2010	1	-1
Balance on 12/31/2010	123	8
Thereof foreign companies	105	6

Fully consolidated companies

IC-Code	Company, domicile	Superordinate company	Group share	Direct share
ADMICS	Admira d.o.o., Serbia	NOVOCS	100.00%	100.00%
PUNTIT	Admiral Bet Italia s.r.l. (Punto Italtbet s.r.l.), Italy	ADRIT	100.00%	100.00%
ADGAES	Admiral Gaming Andalusia S.A., Spain	NOGES	94.00%	94.00%
3ZHR	Admiral Gaming d.o.o., Croatia	NOGHR	100.00%	100.00%
AICHR	Admiral International Casinos d.o.o., Croatia	NOGHR	100.00%	100.00%
AISSIT	Adria Gaming Bolzano s.r.l., Italy	ALLIT	65.00%	100.00%
AKMSI	Admiral d.o.o., Slovenia	NOVSI	100.00%	100.00%
APSRO	Admiral Pariuri Sportive Srl., Romania	ASW	99.99%	99.99%
ADSLES	Admiral Slots S.A., Spain	NOGES	97.69%	97.69%
ASBUK	Admiral Sports Betting Ltd., UK	ASW	100.00%	100.00%
ASW	Admiral Sportwetten GmbH, Austria	AGI	100.00%	100.00%
ADMILV	Admiralu Klubs SA, Latvia	AGI	60.00%	60.00%
ADRIT	Adria Gaming International S.p.A., Italy	NAG	100.00%	100.00%
AGFIT	Adria Gaming Firenze S.r.l., Italy	ADRIT	80.00%	80.00%
AGMIT	Adria Gaming Milano S.r.l., Italy	ADRIT	100.00%	100.00%
AGSIT	Adria Gaming Services S.r.l., Italy	ADRIT	100.00%	100.00%
GOLDIT	Adria Gaming Treviso S.r.l., Italy	ADRIT	60.00%	60.00%
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	100.00%	100.00%
AGIAR	AGI Argentina Limitada S.r.l., Argentina	AGI/HTM	90.00%/10.00%	90.00%/10.00%
SENHU	AGI European Games Kft., Hungary	WEC	100.00%	100.00%
AGIGHU	AGI Gastro Kft., Hungary	AGIHU	100.00%	100.00%
AGIHU	AGI Hungaria Kft., Hungary	AGI	100.00%	100.00%
AGIMX	Crown Gaming Services Mexico S. de R.L. de C.V., Mexico	AGI	60.00%	60.00%
AKOCS	Beo-Gaming d.o.o., Serbia	NOVOCS	100.00%	100.00%
ALBAL	Albaten Sh.p.k., Albania	NAG	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 Italiana S.r.l., Italy	ADRIT	65.00%	65.00%
ALSGRU	ALS Group OOO, Russia	AGI	60.00%	60.00%
ALSRU	ALS OOO, Russia	ALSGRU	60.00%	100.00%
NEE	AS Novoloto, Estonia	NAG	100.00%	100.00%
ASTRAL	Astra Albania Sh.A., Albania	EAGAL	100.00%	100.00%
ASTUK	Astra Games Ltd., UK	AGI	90.00%	90.00%
AGI	Austrian Gaming Industries GmbH, Austria	NAG	100.00%	100.00%
AUTEC	Autec AutomatenbetriebsgmbH, Austria	AGI	90.00%	90.00%
BONABG	Bonaco EOOD, Bulgaria	NOVOBG	100.00%	100.00%
BPAFDE	BPA Freizeit- und Unterhaltungsbetriebe GmbH, Germany	NSMLDE	75.00%	75.00%
BULTBG	Bulten EOOD, Bulgaria	NOVOBG	100.00%	100.00%
MATAHR	Captura d.o.o., Croatia	NOGHR	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	AGI	65.00%	65.00%
CROPE	Crown Gaming S.A.C., Peru	NOVOPE	60.00%	60.00%
CRODE	Crown Technologies GmbH, Germany	NSMLDE	100.00%	100.00%
EAGAL	Eagle Investment Sh.A, Albania	AGI	100.00%	100.00%
ERBAHR	Erba d.o.o., Croatia	NOGHR	100.00%	100.00%
EXTDE	Extra Games Entertainment GmbH, Germany	NSMLDE	93.00%	93.00%
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%
GUB	Gastronomie- u. Unterhaltungselektronik Betriebs GmbH, Austria	HTM	100.00%	100.00%
GIMIT	Gimau S.r.l., Italy	ADRIT	65.00%	65.00%
GSM	Giochi San Marino S.p.a., San Marino	AGI	88.00%	88.00%
GTA	Greentube Internet Entertainment Solutions GmbH, Austria	ASTUK	100.00%	100.00%
GTMT	Greentube Malta Ltd., Malta	GTA	100.00%	100.00%
GALUK	Greentube Alderney Ltd., UK	GTA	100.00%	100.00%
HIRDE	Hirscher Moneysystems GmbH, Germany	CRODE	80.00%	80.00%
HRG	HRG Formenbau + Kunststofftechnik GmbH, Austria	AGI	80.00%	80.00%
HTSI	HT Management d.o.o., Slovenia	NOVOSI	100.00%	100.00%
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%
HTLIUA	HTL Invest LCC, Ukraine	HTLUA	100.00%	100.00%
HTLMK	HTL Macedonia DOOEL, Macedonia	AGI	100.00%	100.00%
HTLME	HTL Montenegro d.o.o., Montenegro	AGI	100.00%	100.00%
HTM	HTM Hotel- u. Tourismus Management GmbH, Austria	NAG	100.00%	100.00%
IGROUA	Igrotech-Import OOO, Ukraine	AZARLT	80.00%	100.00%



IMRAPE	Inmobiliaria Rapid S.A.C., Peru	CROPE	60.00%	100.00%
SCHAAF	J.u.C. SchaaF Spielautomatenbetriebsges.m.b.H., Austria	GAM	100.00%	100.00%
MAGMK	MA Gaming d.o.o.e.l., Macedonia	AGI/HTLMK	75.00%/25.00%	75.00%/25.00%
MASTMK	Masterbet DOOEL, Macedonia	AGI	100.00%	100.00%
MEDHR	Mediteran Gaming d.o.o., Croatia	NOGHR	100.00%	100.00%
MNAME	MNA Gaming d.o.o., Montenegro	HTLME	100.00%	100.00%
NATRU	National Lotteries OOO, Russia	AGI	55.00%	55.00%
NMN	NMN Automatentechnik GmbH, Austria	NAG	100.00%	100.00%
NOVOLT	Novogaming Vilnius UAB, Lithuania	AGI	80.00%	80.00%
NOVSI	NOVO AS d.o.o., Slovenia	NOVOSI	100.00%	100.00%
NOGHR	Novo Gaming d.o.o., Croatia	AGI	100.00%	100.00%
IKGDE	Novo Immobilien GmbH, Germany	NAG	99.80%	99.80%
NOVORO	Novo Invest Co srl, Romania	AGI	99.63%	99.63%
NOVOBG	Novo Invest Bulgaria EOOD, Bulgaria	AGI	100.00%	100.00%
NOVOSI	Novo Investicije d.o.o., Slovenia	AGI	100.00%	100.00%
NOVOCS	Novo Investment d.o.o., Serbia	AGI	100.00%	100.00%
TEHSI	Novo Tehnologija d.o.o., Slovenia	NOVOSI	80.00%	80.00%
NOVOBA	NOVO RS d.o.o., Bosnia and Herzegovina	AGI	100.00%	100.00%
NOVOCL	Novochile Ltda., Chile	AGI HTM	99.00%/1.00%	99.00%/1.00%
NCDE	Novomatic Casino u. Automatentechnik GmbH Berlin, Germany	NAG	100.00%	100.00%
AON	NOVOMATIC Forum GmbH, Austria	NAG	100.00%	100.00%
NOGES	NOVOMATIC Gaming Spain S.A., Spain	AGI	100.00%	100.00%
NHCCL	NOVOMATIC Holdings Chile Ltda., Chile	NICCL	100.00%	100.00%
NICCL	NOVOMATIC Investment Chile S.A., Chile	NAG	100.00%	100.00%
NOVOPE	NOVOMATIC Peru S.A.C., Peru	AGI	100.00%	100.00%
NOVORU	Novotech OOO, Russia	HTLRU	95.64%	96.61%
NSMLDE	NSM-Löwen Entertainment GmbH, Germany	AGI	100.00%	100.00%
NTGIT	NT Gaming S.r.l., Italy	ADRIT	60.00%	60.00%
HTLRU	OOO HTL Posledni Per., Russia	AGI	99.00%	99.00%
HTLUA	OOO HTL Ukraine LCC, Ukraine	AGI	100.00%	100.00%
ARGAR	Octavian de Argentina S.A., Argentina	AGI	100.00%	100.00%
OLACO	Octavian Latin America S.A.S., Columbia	AGI	100.00%	100.00%
SBPRU	Octavian SPb Limited Partnership, Russia	AGI	100.00%	100.00%
PLANBY	Planeta Igr COO, Belarus	AZARLT	80.00%	100.00%
HTBLBA	RSA Gaming d.o.o., Bosnia and Herzegovina	NOVOBA	80.00%	80.00%
INTRO	SC Intertop srl, Romania	AGI/NOVORO	68.95%/30.68%	68.95%/30.79%
SIMAPE	Sierra Machines S.A.C., Peru	CROPE	60.00%	100.00%
SLUIT	Adria Gaming Venezia S.r.l., Italy	GOLDIT	42.00%	70.00%
SOFIBG	Sofiten EOOD, Bulgaria	NOVOBG	100.00%	100.00%
SWP	Sportwetten Pirker GmbH, Austria	HTM	100.00%	100.00%
TEMPHR	Tempo-Star d.o.o., Croatia	NOGHR	100.00%	100.00%
TIMRO	TIMAX Srl., Romania	NOVORO	99.63%	100.00%
TREU1	Treuhand GmbH, Austria	AGI	60.00%	60.00%
TREU3	Treuhand 3 GmbH, Austria	AGI	80.00%	80.00%
TREU4	Treuhand 4 GmbH, Slovenia	TREU3	74.00%	92.50%
TREU9	Treuhand 9 GmbH, Poland	TREU1	60.00%	100.00%
TREU10	Treuhand 10 GmbH, Switzerland	NAG	100.00%	100.00%
TREU11	Treuhand 11 GmbH, Malta	FST	100.00%	100.00%
TREU12	Treuhand 12 GmbH, the Netherlands Antilles	TREU11	100.00%	100.00%
TREU13	Treuhand 13 GmbH, Malta	TREU11	100.00%	100.00%
AZARLT	UAB Azarto Technika, Lithuania	AGI	80.00%	80.00%
VILLBG	Villox Group EOOD, Bulgaria	NOVOBG	100.00%	100.00%
WEC	Wett Cafe Betriebs GmbH, Austria	HTM	100.00%	100.00%
WETTRO	Wettpunkt International Srl, Romania	NOVORO	99.63%	100.00%
ZETHR	Zeton d.o.o., Croatia	NOGHR	100.00%	100.00%
ZOLRU	Zolotaya Bukhta OOO, Russia	HTLRU	98.80%	99.80%

## Companies consolidated at equity

IC-Code	Company, domicile	Superordinate company	Group share	Direct share
DRAGMT	Dragonara Gaming Ltd., Malta	AGI	40.00%	40.00%
TELCIT	Telcos S.r.l.- Subgroup, Italy	TREU 13/ADRIT	37.20%/10%	37.20%/10%
NOSUCL	Novo Sun S.A., Chile	NHCCL	50.00%	50.00%
POL	H. Polanz GmbH, Austria	WEC	50.00%	50.00%
PRAGA	Pratergarage Errichtungs- und Betriebsgesellschaft m.b.H., Austria	NAG	47.50%	47.50%
UGIRU	OOO United Gaming Industries, Russia	AGI	50.00%	50.00%
SIMKDE	SIM Spielbanken, Investitions-, Beteiligungs- und Management GmbH & Co. KG, Frankfurt (Germany)	NAG	49.00%	49.00%
SIMDE	SIM Spielbanken, Investitions- und Management GmbH, Frankfurt (Germany)	NAG	49.00%	49.00%

Non-consolidated affiliated companies

IC-Code	Company, domicile	Superordinate company	Group share	Direct share
AGVIT	Adria Gaming Vicenza S.r.l., Italy	ALLIT	70.00%	70.00%
CLUBUK	Admiral Club Ltd., UK	AGI	100.00%	100.00%
BLIDE	Blitz 09-511 GmbH, Germany	AGI	100.00%	100.00%
BLIDE	Blitz 09-512 GmbH, Germany	AGI	100.00%	100.00%
CHECL	Chilean Enterprises S.p.A., Chile	NHCL	100.00%	100.00%
CONDE	Condor GmbH, Germany	CRODE	93.00%	100.00%
FORTDE	Fortumat Spiel- und Automatenbetriebs GmbH, Germany	NSMLDE	100.00%	100.00%
FRIBY	Fri Game COOO, Belarus	AZARLT	80.00%	100.00%
GBT	GBT Products and Technologies VertriebsGmbH, Austria	AUTEC	90.00%	100.00%
IGRORU	Igrotech OOO, Russia	AZARLT	79.20%	99.00%
IVGDE	Novo Immobilien Verwaltungsges.m.b.H., Germany	IKGDE	99.80%	100.00%
NOVONA	NOVOMATIC Namibia (Pty) Ltd., Namibia	NAG	100.00%	100.00%
SWIT	SW S.R.L., Italy	ALLIT	100.00%	100.00%
TREU2	Treuhand 2 GmbH, Austria	AGI	100.00%	100.00%
TREU5	Treuhand 5 GmbH, Germany	TREU 3	100.00%	100.00%
TREU6	Treuhand 6 GmbH, Germany	TREU 3	100.00%	100.00%
TREU7	Treuhand 7 GmbH, Spain	TREU 3	100.00%	100.00%
TREU8	Treuhand 8 GmbH, Netherlands	TREU 3	100.00%	100.00%

Acquisitions

Greentube I.E.S. GmbH (group)

In order to expand NOVOMATIC Group's range of products, an interest of 70 percent in Greentube I.E.S. GmbH and its subsidiaries was acquired on January 15, 2010. Furthermore, an option for the remaining 30 percent exists. Greentube I.E.S. GmbH specializes in the development of online gaming solutions and has an excellent reputation in the field of browser-based games of skill. To expand the range of products even further, a subsidiary of the Greentube Group subsequently acquired a 100 percent interest in a Maltese trust company on July 1, 2010.

The fair values of the identifiable assets and liabilities of Greentube I.E.S. GmbH and its subsidiaries at the acquisition date of January 15, 2010 respectively July 1, 2010 and the respective book values directly before the acquisition date present themselves as follows:

In KEUR	Book Value	Adjustments to the Fair Value	Fair Value
Intangible assets	158	11,889	12,047
Property, plant, equipment	336	53	389
Financial assets	0	0	0
Other non-current assets	0	0	0
Deferred tax assets	50	-45	5
Inventories	0	0	0
Cash and cash equivalent	5,583	0	5,583
Other current assets	774	0	774
Non-controlling interests	0	0	0
Long-term liabilities and provisions	-2,429	-38	-2,467
Deferred tax liabilities	0	-654	-654
Short-term liabilities and provisions	-3,769	0	-3,769
<b>Net Assets</b>	<b>703</b>	<b>11,205</b>	<b>11,908</b>
<b>Acquired net assets</b>			<b>11,908</b>

Based on the established fair value, the breakdown of the purchase price presents itself as follows:

In KEUR	2010
Fair value of the total consideration transferred	8,639
30% option shown as purchase price obligation	3,714
Less acquired net assets	-11,908
<b>Goodwill</b>	<b>445</b>

The purchase price was paid in cash, resulting in a net cash drain as shown below:

In KEUR	2010
Consideration transferred in cash	8,639
Liquid funds of the purchased company	-5,583
<b>Investment in subsidiary</b>	<b>3,056</b>

The comprehensive loss for the period since the acquisition date amounts to KEUR -578.

#### **BPA Freizeit- und Unterhaltungsbetriebe GmbH**

In order to expand and reinforce the existing branch network in Germany, NSM-Löwen Entertainment GmbH acquired a 75 percent interest in the renowned gaming hall operator BPA Freizeit- und Unterhaltungsbetriebe GmbH on August 31, 2010.

The preliminary fair values of the identifiable assets and liabilities of BPA Freizeit- und Unterhaltungsbetriebe GmbH at the acquisition date of August 31, 2010 and the respective book values directly before the acquisition date present themselves as follows:

In KEUR	Book Value	Adjustments to the Fair Value	Fair Value
Intangible assets	4,296	21,323	25,619
Property, plant, equipment	5,979	1,270	7,249
Financial assets	0	0	0
Other non-current assets	0	0	0
Deferred tax assets	0	316	316
Inventories	427	0	427
Cash and cash equivalent	1,290	0	1,290
Other current assets	369	0	369
Non-controlling interests	0	0	0
Long-term liabilities and provisions	-4,913	-476	-5,389
Deferred tax liabilities	0	-6,405	-6,405
Short-term liabilities and provisions	-3,607	-916	-4,523
<b>Net Assets</b>	<b>3,841</b>	<b>15,112</b>	<b>18,953</b>
<b>Acquired net assets</b>			<b>14,215</b>

Based on the established fair value, the breakdown of the purchase price presents itself as follows:

In KEUR	2010
Fair value of the total consideration transferred	17,250
Less acquired net assets	-14,215
<b>Goodwill</b>	<b>3,035</b>

The purchase price was settled in cash resulting in a net cash drain as shown below:

In KEUR	2010
Consideration transferred in cash	17,250
Liquid funds of the purchased company	-1,290
<b>Investment in subsidiary</b>	<b>15,960</b>

The comprehensive loss for the period since the acquisition date amounts to KEUR -205.

### Other acquisitions

In the interest of the NOVOMATIC Group's further expansion, NOVOMATIC subsidiary Adria Gaming International S.p.A. acquired a 65% interest in Gimau S.r.l. on March 31, 2010. Furthermore, Austrian Gaming Industries GmbH acquired 80% in a group held by a trust on April 30, 2010. The Slovenian subsidiary Novo Investicije d.o.o. acquired 80% in Novo Tehnologija d.o.o. on July 12, 2010. Austrian Gaming Industries GmbH acquired a 100% interest each in Octavian de Argentina S.A. (Argentina), Octavian Latin America S.A.S. (Columbia) and Octavian SPb Limited Partnership (Russia) on June 1, 2010. In order to reinforce the market position in Albania, Eagle Investment Sh.A. acquired a 100% interest in Astra Albania Sh.A. on August 1, 2010.

The preliminary fair values of the identifiable assets and liabilities of the acquired companies at the respective acquisition date and the respective book values directly before the acquisition date present themselves as follows:

In KEUR	Book Value	Adjustments to Fair Value	Fair Value
Intangible assets	1,022	6,322	7,344
Property, plant, equipment	2,858	1,131	3,989
Financial assets	223	-90	133
Other non-current assets	646	-5	641
Deferred tax assets	33	179	212
Inventories	3,714	0	3,714
Cash and cash equivalent	2,870	0	2,870
Other current assets	5,611	-384	5,227
Non-controlling interests	0	0	0
Long-term liabilities and provisions	-3,752	-61	-3,813
Deferred tax liabilities	0	-1,881	-1,881
Short-term liabilities and provisions	-9,896	-113	-10,009
<b>Net Assets</b>	<b>3,329</b>	<b>5,098</b>	<b>8,427</b>
<b>Acquired net assets</b>			<b>6,943</b>



Based on the established fair value, the breakdown of the purchase price presents itself as follows:

In KEUR	2010
Fair value of the total consideration transferred	9,448
Less acquired net assets	-6,943
<b>Goodwill</b>	<b>2,585</b>
<b>Expenses</b>	<b>278</b>
<b>Received surplus affecting income</b>	<b>405</b>

The purchase price was paid in cash, resulting in a net cash drain as shown below:

In KEUR	2010
Consideration transferred in cash	9,448
Liquid funds of the purchased company	-2,870
<b>Investment in subsidiary</b>	<b>6,578</b>

The comprehensive income for the period since acquisition date amounts to KEUR 554.

#### Other remarks regarding acquisitions

The disclosure of sales 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, and since the information value regarding the consolidated financial statements is insignificant.

## Disposals

#### Inmar S.L.

Effective August 31, 2010, the 100% interest in Inmar S.L. was sold.

The fair values of the identifiable assets and liabilities of Inmar S.L. at the date of sale on August 31, 2010 and the respective book values directly before the sale date present themselves as follows:

In KEUR	Book Value in the group
Intangible assets	6
Property, plant, equipment	164
Financial assets	0
Other non-current assets	40
Deferred tax assets	0
Inventories	0
Cash and cash equivalent	39
Other current assets	1
Non-controlling interests	0
Long-term liabilities and provisions	0
Deferred tax liabilities	0
Short-term liabilities and provisions	-322
<b>Net Assets</b>	<b>-72</b>
<b>Net assets disposed of</b>	<b>-72</b>

Based on the established fair value, the breakdown of the selling price presents itself as follows:

In KEUR	2010
Selling price	0
Less net assets disposed	-72
<b>Result from disposal</b>	<b>-72</b>

## Accounting Policies

### Basis of consolidation

The first-time consolidation of acquired companies is carried out according to the purchase method at the date of acquisition. The consideration transferred in 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 the control of the company. 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 thereof 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 re-evaluation of the acquired net assets.

Initially, non-controlling interests are valued at their respective portion in the identifiable net assets. During the subsequent accounting, the profit/loss of the subsidiary is attributed proportionally to the non-controlling interests, even if this results in a deficit balance. Presentation is within the equity separately from the Group's equity.

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 transaction.

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.

All significant intercompany receivables, liabilities, expenses and earnings as well as intra-group profits are eliminated.

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 under financial, economical and organizational aspects.

Apart from the positions within equity, all balance sheet items are translated into Euros at the exchange rate prevailing on December 31, 2010. Income and expense items of foreign consolidated companies are translated at average exchange rates for the period. Exchange differences arising are recognized as equity not affecting net income. At 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 = 1 EUR	Exchange rate prevailing at balance sheet date		Average exchange rate for the year	
	12/31/2010	12/31/2009	2010	2009
Albanian LEK	141.0650	137.9600	139.5002	132.6567
Argentinean Peso	5.2674	5.4241	5.1945	5.2094
Bosnian convertible Mark	1.9558	1.9558	1.9558	1.9558
British Pounds	0.8647	0.8942	0.8569	0.8923
Bulgarian Lev	1.9558	1.9558	1.9558	1.9558
Chilean Peso	619.6615	727.2100	677.6429	769.9100
Estonian Crown	15.6466	15.6466	15.6466	15.6466
Colombian Peso	2,656.0400	-	2,543.3792	-
Croatian Kuna	7.3800	7.3050	7.2990	7.3547
Latvian Lats	0.7080	0.7070	0.7078	0.7051
Lithuanian Litas	3.4528	3.4528	3.4528	3.4528
Macedonian Dinar	62.5659	61.1732	61.9731	61.2725
Mexican Peso	16.5800	-	16.6987	-
Paraguayan Guarani	6,283.5100	-	6,413.7483	-
Peruvian new Sol	3.7600	4.1450	3.7727	4.1834
Polish Zloty	3.9670	-	4.0114	-
Romanian Lei	4.2890	4.2284	4.2217	4.2396
Russian Rouble	40.9000	43.5000	40.2096	44.3208
Swiss Franc	1.2492	-	1.3693	-
Serbian Dinar	105.5000	95.8888	103.5750	94.1198
South-African Rand	8.8970	10.7000	9.6313	11.4858
Hungarian Forint	278.0000	271.5000	276.6800	281.4958
Ukrainian Hryvnia	10.6933	11.5009	10.5823	10.9006
US-Dollar	-	1.4440	-	1.4009
Belarus Rouble	4,024.9400	4,106.1100	3,966.1963	3,904.3342

#### Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are stated on the balance sheet at acquisition or production costs and – to the extent to which they are depreciable – less the scheduled straight-line amortization/depreciation. Production costs comprise direct costs as well as appropriate material and manufacturing costs. Administration expenses are not capitalized.

Depreciation/amortization of assets starts when ready for use. Depreciation/amortization is charged as to write off the costs of the assets over their estimated useful lives, using the straight-line method. For the determination of the estimated useful-life of intangible and tangible assets their expected service life is taken into account.

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 to a limited useful life prospectively. For intangible assets with an indefinite useful life an impairment test is carried out at least annually. Impairment is given if the recoverable amount underlies 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 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, in accordance with IFRS 3, not written off. Instead, the carrying amount of the goodwill is subject to an impairment test annually or if there is any indication of an impairment. For efficiency reasons in the preparation of the financial statements, the date of the impairment tests was brought forward from December 31 to October 31. If the carrying amount of a cash generating unit, attributed with goodwill, exceeds its recoverable amount, the attributed goodwill is impaired to its recoverable amount. An impairment loss exceeding the goodwill will lead to the proportional reduction of the carrying amounts of the remaining fixed assets.

The estimated useful lives are:

	Useful life in years	
	from	to
<b>Immaterielle Vermögenswerte</b>		
Goodwill		indefinite
Software	3	5
Patents and trademarks	10	15 resp. indefinite
Licenses	5	20 resp. indefinite
Customer relationships	7	15
Other intangible assets	3	10
<b>Property, plant, equipment:</b>		
Building	20	50
Investments in rented property	10	20
Machines	3	10
Gaming machines	3	7
Equipment	3	10

### Investment property

Investment property concerns land and buildings held which are not used in business operations at the moment. They are stated at amortized costs. The buildings are written off over their estimated useful lives of between 25 and 50 years using the straight-line method.

### Leasing and tenancy

Leasing and tenancy agreements, where all risks and rewards of ownership that are related to the use of the assets are transferred to the Group, are classified as finance leases. Assets held as finance lease are recognized initially at their fair value or, if lower, at the present value of the minimum lease or tenancy payments and written off over the estimated useful life. The recognized assets are shown on the balance sheet along with the present value of all lease and tenancy payments outstanding at the balance sheet date.

For leasing and tenancy agreements where the Group is lessor, the amounts payable by the lessee based on finance lease relations are shown as receivable amounting to the net investment in the lease of the Group.

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



**Financial assets and other long-term assets**

Interests in non-consolidated subsidiaries and other interests, whose fair value cannot be determined, are valued at acquisition costs, less any impairment loss recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased at most up to the acquisition costs.

The securities within the financial assets are classified as available-for-sale. They are measured at fair value. The fair value of the securities corresponds to the exchange price at balance sheet date. Changes in value are recognized in equity not affecting income with the exception of material and permanent impairment, which is recognized in profit and loss.

Financial assets are recognized or derecognized on trade-date basis. The group only derecognizes a financial asset if contractually accorded rights to receive cash flows from the asset have expired or if the financial asset and all its risks and rewards are transferred to a third party.

Loans are valued at acquisition costs. In case of impairment, the carrying amount of the asset is adjusted to the lower fair value.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Costs of raw materials are calculated using the weighted average method. Inventories are reviewed for slow movement or obsolete items and, if necessary, appropriate adjustments are made.

**Receivables and other short-term assets**

Trade receivables, other short-term receivables and loans are stated at their nominal value, if applicable reduced by appropriate allowances. Receivables in foreign currencies are valued at the exchange rate prevailing on the balance sheet date. Gains and losses resulting from the currency translation are recognized in the income statement.

**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 falling within a corridor of 10 percent of the greater of projected benefit obligations and plan assets – measured in both cases at the beginning of the year – are not recognized in pensions and severance payments provisions. Actuarial gains and losses falling outside this corridor are distributed according to the average remaining years of service of the participants in the plan. The accrued amounts are based on the expert opinion of a qualified actuary as of the balance sheet date.

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

**Liabilities**

Liabilities are stated at amortized costs. Long-term liabilities are discounted by using the effective interest method. Liabilities in foreign currencies are valued at the offered exchange rate at balance sheet date. Gains and losses resulting from the currency translation are recognized in the income statement.

**Derivative financial instruments**

The Group uses derivative financial instruments, like interest swaps, to hedge its risks associated with the change of interest rates. Such derivatives are initially recorded at fair value at contract date and are re-measured to fair value at subsequent reporting dates. A derivative financial instrument is recognized as an asset if its fair value is positive and as a liability if its fair value is negative. The principle of hedge accounting according to IAS 39 is not applied.

**Revenue and expense recognition**

The Group realizes revenues from sale and rental of gaming machines and the operation of gaming houses and electronic gaming machine casinos, as well as 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. Revenues from the operation of gaming houses 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. 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**

Financial expenses comprise interest from borrowings and finance lease, interest-like expenses and charges, and expenses from derivative instruments.

Financial income includes interest from the placement of funds and investments in financial assets, dividends received and similar income, profit resulting from the disposal of financial assets, and profit resulting from derivative instruments.

**Taxes**

The income tax expense comprises the income tax of each subsidiary based on its taxable profit for the year and calculated with the tax rate prevailing in the respective jurisdiction (“actual taxes”) as well as 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.

Deferred tax assets and liabilities are based on the following tax rates:

Country	Tax rate 2010	Tax rate 2009
Austria	25%	25%
Albania	10%	10%
Argentina	35%	35%
Bosnia and Herzegovina	10%	10%
Bulgaria	10%	10%
Chile	17%	17%
Germany	16% - 30.8025%	16% - 29.825%
Curacao	2%	-
England	28%	28%
Italy	27.5% u. 31.4%	27.5% u. 31.4%

Columbia	33%	-
Croatia	20%	20%
Latvia	15%	15%
Lithuania	15%	20%
Malta	35%	-
Macedonia	10%	10%
Mexico	30%	-
Montenegro	9%	9%
Paraguay	10%	-
Peru	30%	30% u. 33,5%
Poland	19%	19%
Romania	16%	16%
Russia	20%	20%
San Marino	17%	17%
Switzerland	6,5%	-
Serbia	10%	10%
Slovenia	20%	20%
Spain	30%	30%
South Africa	28%	-
Ukraine	25%	25%
Hungary	19% u. 10%	20%
USA	-	28%
Belarus	24%	24%

### Estimates

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

In particular, uncertainties can occur concerning the estimates of useful life, intangible assets with indefinite useful life, adjustments of receivables, impairment of goodwill and deferred tax assets because of changes in the expected future results.

Furthermore, the preparation of a financial statement requires the predefinition of future developments. This particularly concerns assumptions, made for the measurement of social benefit obligations, such as retirement age, life expectancy and future increases in remunerations and pensions.

Notes on the Consolidated Balance Sheet

(1) Intangible assets

In KEUR						
Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Other intangible assets	Prepayments	Total
Balance as of 01/01/2009	16.154	7.241	0	81.435	371	105.201
Adjustments due to currency translation	2	-65	0	515	0	452
Change in the consolidation scope	-6,677	1,307	0	13,739	0	8,369
Additions	26,243	387	0	10,337	32,347	69,314
Disposals	0	0	0	-3,360	-23	-3,383
Reclassifications	0	0	0	-579	-208	-787
<b>Balance as of 12/31/2009</b>	<b>35,722</b>	<b>8,870</b>	<b>0</b>	<b>102,087</b>	<b>32,487</b>	<b>179,166</b>

In KEUR						
Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Other intangible assets	Prepayments	Total
Balance as of 01/01/2010	35.722	8.870	0	102.087	32.487	179.166
Adjustments due to currency translation	1	-84	0	292	0	209
Change in the consolidation scope	6,065	2,845	26,818	17,267	0	52,995
Additions	415	26	871	10,941	769	13,022
Disposals	-187	-16	-534	-3,193	-21,358	-25,288
Reclassifications	29	353	50,788	-51,640	-1,146	-1,616
<b>Balance as of 12/31/2010</b>	<b>42,045</b>	<b>11,994</b>	<b>77,943</b>	<b>75,754</b>	<b>10,752</b>	<b>218,488</b>

In KEUR						
Accumulated amortization	Goodwill	Trademarks and patents	Licenses and concessions	Other intangible assets	Prepayments	Total
Balance as of 01/01/2009	1,565	1,855	0	24,414	0	27,834
Adjustments due to currency translation	2	-5	0	125	0	122
Change in the consolidation scope	0	0	0	4,021	0	4,021
Additions	1,655	2,246	0	10,550	59	14,510
Disposals	0	0	0	-2,502	0	-2,502
Reclassifications	0	0	0	-76	0	-76
<b>Balance as of 12/31/2009</b>	<b>3,222</b>	<b>4,096</b>	<b>0</b>	<b>36,532</b>	<b>59</b>	<b>43,909</b>

In KEUR						
Accumulated amortization	Goodwill	Trademarks and patents	Licenses and concessions	Other intangible assets	Prepayments	Total
Balance as of 01/01/2010	3,222	4,096	0	36,532	59	43,909
Adjustments due to currency translation	1	-47	-5	184	0	133
Change in the consolidation scope	0	282	1,135	506	0	1,923
Additions	8,265	631	4,915	9,986	12	23,809
Disposals	0	-16	-123	-2,757	-7	-2,903
Reclassifications	0	11	6,594	-6,668	-8	-71
<b>Balance as of 12/31/2010</b>	<b>11,488</b>	<b>4,957</b>	<b>12,516</b>	<b>37,783</b>	<b>56</b>	<b>66,800</b>

<b>Carrying amount as of 12/31/2009</b>	<b>32,500</b>	<b>4,774</b>	<b>0</b>	<b>65,555</b>	<b>32,428</b>	<b>135,257</b>
<b>Carrying amount as of 12/31/2010</b>	<b>30,557</b>	<b>7,037</b>	<b>65,427</b>	<b>37,971</b>	<b>10,696</b>	<b>151,688</b>



The investments in other intangible assets amount to KEUR 10,941 (previous year: KEUR 10,337) and mainly concern the acquisition of gaming software. Furthermore, other intangible assets include – under “change in the consolidation scope” – customer relationships with acquisition costs amounting to KEUR 12,645. The book value amounts to KEUR 9,703 at December 31, 2010.

Within the intangible assets, licenses with an indefinite useful life amounting to KEUR 18,490 (previous year: KEUR 18,490) and trademarks with an indefinite useful life amounting to KEUR 2,815 (previous year: KEUR 0) were capitalized.

The Group did not have any capitalizable internally-generated intangible assets. In the period under report, development expenditures amounting to KEUR 37,899 (previous year: KEUR 37,205) were recognized in the income statement as “personnel cost”, “other expenses” and “depreciation of tangible and intangible assets”.

## Goodwill

As of December 31, 2010 the Group's goodwill is composed of the following cash-generating units according to IAS 36.134:

In KEUR	12/31/2010	12/31/2009
Operator Croatia	2,304	2,304
Operator Latvia	3,147	3,147
Operator Romania	6,200	13,931
Operator Germany	3,035	0
Production	1,979	1,979
Other	13,892	11,139
<b>Total</b>	<b>30,557</b>	<b>32,500</b>

The recoverable amount of the cash-generating units is based on the calculation of a value in use applying cash flow forecasts for a period of between three to five years which 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 previous reporting years, 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. As far as the goodwill results from the acquisition of gaming operating companies, all operators in the respective country are defined as a cash-generating unit.

Discount rates ranging from 9.76% to 21.17% (2009: 8.11%) were used for the cash flow forecast, taking into consideration the respective country-specific risks. Cash flows occurring after the period of between three and five years are carried over with a growth rate of 2% (2009: 2%). This growth rate does not exceed the average long-term growth rate of the sector.

The comparison of the book values with the recoverable amount of the cash-generating units over the course of the yearly impairment test as of October 31, 2010 resulted in an impairment of KEUR 8,265 (previous year: KEUR 1,655). Thereof KEUR 7,731 (previous year: KEUR 0) concern the segment “Gaming Operations”, KEUR 534 (previous year: KEUR 0) the segment “Betting”, KEUR 0 (previous year: KEUR 1,439) the segment “Sales and Rental” and KEUR 0 (previous year: KEUR 216) the segment “Other”.

**(2) Property, plant and equipment**

In KEUR	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
<b>Acquisition costs</b>					
Balance as of 01/01/2009	239,261	477,957	140,094	40,246	897,558
Adjustments due to currency translation	-98	-5,414	-72	-216	-5,800
Change in the consolidation scope	15,434	11,815	4,196	763	32,208
Additions	57,439	155,270	36,122	60,215	309,046
Disposals	-10,084	-126,777	-10,653	-2,292	-149,806
Reclassifications	52,894	2,808	9,447	-74,900	-9,751
<b>Balance as of 12/31/2009</b>	<b>354,846</b>	<b>515,659</b>	<b>179,134</b>	<b>23,816</b>	<b>1,073,455</b>

In KEUR	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
<b>Acquisition costs</b>					
Balance as of 01/01/2010	354,846	515,659	179,134	23,816	1,073,455
Adjustments due to currency translation	-117	2,873	132	31	2,919
Change in the consolidation scope	9,965	5,337	5,784	38	21,124
Additions	31,100	231,582	39,340	33,115	335,137
Disposals	-8,501	-140,993	-15,318	0	-164,812
Reclassifications	12,501	14,698	5,220	-30,804	1,615
<b>Balance as of 12/31/2010</b>	<b>399,794</b>	<b>629,156</b>	<b>214,292</b>	<b>26,196</b>	<b>1,269,438</b>

In KEUR	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
<b>Accumulated depreciation</b>					
Balance as of 01/01/2009	39,826	144,997	62,204	34	247,061
Adjustments due to currency translation	-30	-912	25	-5	-922
Change in the consolidation scope	3,146	4,744	2,727	40	10,657
Additions	20,636	164,018	25,223	1,443	211,320
Disposals	-2,632	-64,665	-7,288	-33	-74,618
Reclassifications	25	-1,235	380	907	77
Appreciations	0	0	0	0	0
<b>Balance as of 12/31/2009</b>	<b>60,971</b>	<b>246,947</b>	<b>83,271</b>	<b>2,386</b>	<b>393,575</b>

In KEUR	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
<b>Accumulated depreciation</b>					
Balance as of 01/01/2010	60,971	246,947	83,271	2,386	393,575
Adjustments due to currency translation	-63	2,166	129	-5	2,227
Change in the consolidation scope	1,762	2,781	2,698	0	7,241
Additions	19,157	155,529	27,019	248	201,953
Disposals	-5,017	-83,590	-10,601	0	-99,208
Reclassifications	409	198	367	-903	71
Appreciations	0	-1,036	-14	0	-1,050
<b>Balance as of 12/31/2010</b>	<b>77,219</b>	<b>322,995</b>	<b>102,869</b>	<b>1,726</b>	<b>504,809</b>

<b>Carrying amount 12/31/2009</b>	<b>293,875</b>	<b>268,712</b>	<b>95,863</b>	<b>21,430</b>	<b>679,880</b>
<b>Carrying amount 12/31/2010</b>	<b>322,575</b>	<b>306,161</b>	<b>111,423</b>	<b>24,470</b>	<b>764,629</b>

In order to collateralize a loan, a lien was registered on a property in Gumpoldskirchen to the extent of KEUR 3,000.

### Finance lease

NOVOMATIC AG as lessee:

The carrying amount of the Group's property, plant and equipment in respect of assets held under finance lease totals KEUR 6,210 (previous year: KEUR 5,602). 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 KEUR 14,941 (previous year: KEUR 15,450). After the expiration of the agreement, the ownership of the property will be transferred to the group.

The sale-and-lease-back transactions of the Group present themselves as follows: the carrying amounts of gaming machines recognized as property, plant and equipment account for KEUR 11,311 (previous year: KEUR 16,653). Due to their classification as finance lease, the profits resulting from the sale are distributed over the contract duration of 4 years and are recognized as deferred income on the balance sheet.

In KEUR	Minimum lease payments		Present value of minimum lease payments	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Within one year	5,356	5,198	5,108	4,982
Between one and five years	9,842	19,091	9,653	16,529
Over five years	0	0	0	0
<b>Total</b>	<b>15,198</b>	<b>24,289</b>	<b>14,761</b>	<b>21,511</b>
Minus prospective financing costs	-437	-2,778		
<b>Present value of lease obligations</b>	<b>14,761</b>	<b>21,511</b>		

NOVOMATIC AG 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.

In KEUR	Minimum lease payments		Present value of minimum lease payments	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Within one year	8,532	2,291	6,861	1,608
Between one and five years	9,901	3,000	8,962	2,589
Over five years	0	0	0	0
<b>Total</b>	<b>18,433</b>	<b>5,291</b>	<b>15,823</b>	<b>4,197</b>
Minus prospective financing costs	-2,610	-1,094		
<b>Present value of lease obligations</b>	<b>15,823</b>	<b>4,197</b>		

**Operating lease**

NOVOMATIC AG 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:

In KEUR	12/31/2010	12/31/2009
For the next year	34,156	26,616
For the second to the fifth year inclusive	98,200	78,887
For more than five years	70,718	43,104

NOVOMATIC AG as lessor:

The group concluded contracts for renting of gaming machines with irredeemable terms between 12 and 24 months. The gaming machines are shown in the tangible fixed assets as “plant and machinery.” The payments of rent in the reporting period are shown as sales under “income from rent and management services”.

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

In KEUR	12/31/2010	12/31/2009
For the next year	191,146	177,983
For the second to the fifth year inclusive	33,486	56,535
For more than five years	0	0

**(3) Investment property**

In KEUR	12/31/2010	12/31/2009
Balance as of 01/01	26,376	474
Change in the consolidation scope	0	20,200
Additions	3,861	0
Disposals	0	0
Reclassifications	0	10,538
Depreciations	-597	-4,836
Appreciations	0	0
<b>Balance as of 12/31</b>	<b>29,640</b>	<b>26,376</b>

Investment property concerns land and buildings which are currently not used in operational business. For new acquisitions the purchase price is considered to be the fair value, or adjustments (impairment) based on actual appraisals were made so that the fair value is identical to the costs less depreciation/impairment. Accordingly, the fair value amounts to KEUR 29,640 (previous year: KEUR 26,376).



**(4) Investments in associates**

In KEUR	12/31/2010	12/31/2009
Balance as of 01/01	86,865	39,718
Adjustments due to currency translation	12,703	5,175
Additions	56,929	49,242
Share of post-acquisition profits	-3,721	734
Dividends	-475	-736
Disposals	0	-1,446
Change in the consolidation method	-7,412	-5,822
<b>Balance as of 12/31</b>	<b>144,889</b>	<b>86,865</b>

The companies recognized at equity on the consolidated balance sheet are shown in the investment schedule.

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 AG in associated companies:

In KEUR	12/31/2010	12/31/2009
Assets	383,751	255,911
Liabilities	138,092	95,463
Sales	134,888	82,041

**(5) Financial assets**

In KEUR	12/31/2010	12/31/2009
Investments in affiliated companies, non-consolidated	2,947	3,312
Securities	7,920	7,741
Other investments	409	680
<b>Total</b>	<b>11,276</b>	<b>11,733</b>

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

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 eventual impairment.

**(6) Taxes****Current tax receivables and liabilities:**

In KEUR	12/31/2010	12/31/2009
Tax refund	15,427	15,622
Current tax liabilities	22,826	51,162

**Deferred taxes:**

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.

In KEUR	12/31/2010	12/31/2009
Intangible assets	-12,250	-12,757
Property, plant and equipment	8,109	11,882
Finance lease	1,821	2,471
Financial assets	4,503	4,264
Securities	-65	-10
Other non-current assets	-4,881	-2,589
Inventories	2,736	1,938
Current financial assets	-65	-38
Trade and other receivables	-5,446	-1,561
Long-term financial liabilities	886	20
Provision for severance payments	1,704	1,538
Provision for pensions	975	852
Provision for jubilee payments	100	69
Short-term provisions	72	-148
Trade and other liabilities	-15,604	-9,405
Tax loss carry forward	9,034	5,955
<b>Deferred tax total (netted)</b>	<b>-8,371</b>	<b>2,481</b>

**On the balance sheet, deferred taxes are shown as follows:**

In KEUR	12/31/2010	12/31/2009
Deferred tax assets	31,128	26,940
Deferred tax liabilities	-39,499	-24,459
<b>Total</b>	<b>-8,371</b>	<b>2,481</b>

In accordance with IAS 12, deferred tax assets on the accumulated loss brought forward adding up to KEUR 9,034 (previous year: KEUR 5,955) 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.

**Deferred tax assets not recognized:**

In KEUR	12/31/2010	12/31/2009
Tax loss	19,526	22,330
Temporary differences	-1,242	-375

Income from investments in domestic subsidiaries is tax exempt. Dividends received from foreign investments exceeding a share of 10% are also tax exempt at the level of the Austrian parent company. In Estonia and in Latvia, an elevated tax rate is applied at group level in case of a disbursement. Since no disbursements are expected from the Estonian and Latvian subsidiaries in the near future, this has no effect on the Group.

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

In KEUR	12/31/2010	12/31/2009
Loans	8,857	13,271
Accounts receivable from finance lease	8,962	0
Miscellaneous other non-current assets	66,560	28,857
<b>Total</b>	<b>84,379</b>	<b>42,128</b>

Due to contractual regulations, the rights of use for VLT (Video Lottery Terminal) licenses in the amount of KEUR 61,978 (previous year: KEUR 25,485) are shown as miscellaneous other non-current assets.

**(8) Inventories**

In KEUR	12/31/2010	12/31/2009
Raw materials and supplies	54,449	45,192
Work-in-progress	24,020	23,532
Finished goods and trade goods	74,211	58,932
Advance payments	7,286	9,005
<b>Total</b>	<b>159,966</b>	<b>136,661</b>

Raw materials and supplies are valued using the weighted average method. Work-in-progress and finished goods comprise direct material and manufacturing costs as well as an appropriate portion of material and manufacturing overhead costs. The advance payments on inventories are related to down-payments for the delivery of goods.

Write-down of inventories amounts to KEUR 39,015 (previous year: KEUR 44,631). The carrying amount of inventories recognized at fair value less distribution costs adds up to KEUR 10,223 (previous year: KEUR 6,880).

**(9) Trade and other receivables**

In KEUR	12/31/2010	12/31/2009
Trade receivables	100,987	89,738
Receivables from non-consolidated affiliated companies	351	374
Receivables from associated companies	2,926	1,765
Prepaid expenses	17,514	15,512
Other current receivables	27,351	25,636
<b>Total</b>	<b>149,129</b>	<b>133,025</b>

Impairment of trade receivables amount to KEUR 32,589 (previous year: KEUR 32,227). The impairment expenses of the year under report are recognized as other operating expenses in the income statement.

The receivables from non-consolidated affiliated companies include trade receivables in the amount of KEUR 294 (previous year: KEUR 366).

Other receivables comprise primarily the offset with the tax authorities, deferred income and outstanding credit card statements.

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

**(10) Current financial assets**

In KEUR	12/31/2010	12/31/2009
Securities	88	161
Loans	1,508	4,400
Finance lease receivables	6,861	0
Other current financial assets	584	528
<b>Total</b>	<b>9,041</b>	<b>5,129</b>

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

**(11) Cash and cash equivalents**

In KEUR	12/31/2010	12/31/2009
Cash	66,085	57,894
Bank deposit	211,239	157,944
<b>Total</b>	<b>277,324</b>	<b>215,838</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 its fair value.



**(12) Share capital**

The share capital of KEUR 26.000 is divided into the following bearer shares:

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

The share capital is fully issued and entirely paid-in.

**(13) Capital reserves**

The capital reserves of KEUR 976 are tied-up reserves.

**(14) Retained profits**

The retained profits 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 KEUR 1,624 which, combined with the tied-up capital reserves of KEUR 976 to make KEUR 2,600, represents the tied-up reserves of 10% of the share capital according to section 229 para 4 Austrian Company Code.

**(15) Revaluation reserve according to IAS 39**

The changes in the fair value of financial assets available-for-sale are recognized in the revaluation reserve according to IAS 39 not affecting income. For the business year of 2010, these changes amounted to KEUR 754 (previous year: KEUR 1,063).

**(16) Currency translation adjustment**

On consolidation, differences from the translation of foreign subsidiaries at exchange rates prevailing on the balance sheet date are transferred to this position. For the business year of 2010, changes in the currency translation adjustment amount to KEUR -222 (previous year: KEUR -4,586).

**(17) Non-controlling interests**

Non-controlling interests consist of the interests in equity of consolidated subsidiaries held by other shareholders. Non-controlling interests in equity of consolidated subsidiaries primarily concern Alfor SIA, Admiralu Klubs SA, UAB Azarto Technika, Allstar Italiana S.r.l., BPA Freizeit- und Unterhaltungsbetriebe GmbH and Crown Gaming S.A.C.

**(18) Long-term financial liabilities**

In KEUR	12/31/2010	12/31/2009
Bond	497,591	149,564
Bank loans	242,115	186,563
Obligations under finance leases	9,653	16,529
Other long-term financial liabilities	919	609
<b>Total</b>	<b>750,278</b>	<b>353,265</b>

NOVOMATIC AG issued bonds with the following terms and conditions:

Nominal value	KEUR 150,000	KEUR 200,000	KEUR 150,000
Term	2005 – 2012	2010 – 2015	2010 – 2017
Denomination	EUR 500.--	EUR 500.--	EUR 500.--
Nominal interest rate	3.75 % p.a.	4.50 % p.a.	5.00 % p.a.
Coupon	10/11 every year	01/22 every year	10/27 every year
Redemption	10/11/2012 bullet	01/22/2015 bullet	10/27/2017 bullet
Closing price 12/31/2010	EUR 100.479	EUR 98.020	EUR 94.684
ISIN	AT0000492962	AT0000A0G3Z9	AT0000A0KSM6

The bonds are listed on the second regulated market at the Vienna Stock Exchange.

The fair value of bank loans amounts to KEUR 246,038.

Bank loans with a term of between one and five years amount to KEUR 196,292 (previous year: KEUR 78,841), and bank loans with a term over five years amount to KEUR 45,824 (previous year: KEUR 107,722). The weighted average interest rate amounts to 3.66% (previous year: 3.06%).

### (19) Long-term provisions

In KEUR	12/31/2010	12/31/2009
Provision for severance payments	7,656	6,509
Provision for pensions	10,303	10,005
Provision for jubilee payments	3,029	2,631
Other long-term provisions	1,286	2,778
<b>Total</b>	<b>22,274</b>	<b>21,923</b>

#### Provision for severance payments

Due to legal or collectively agreed obligations, employees whose service began before January 1, 2003 are entitled to receive severance payments upon termination of employment or on reaching normal retirement age. The entitlements depend on the 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 5% (previous year: 5.5%) and assuming a pay increase of 2.5%–3% (previous year: 2.5%–3%). The estimated retirement age refers to the earliest possible retirement age according to ASVG regulations. Discounts due to fluctuations or other factors are not taken into account.

Entitlements to severance payments for employees whose service began after January 1, 2003 are covered by a defined contribution system. The payments to the external employee's pension fund are recognized as expense.

Expenses for severance payments recognized as personnel cost:

In KEUR	12/31/2010	12/31/2009
Current service cost	854	640
Interest cost	371	352
Actuarial gains/losses	31	-15
<b>Expense for the year</b>	<b>1,256</b>	<b>977</b>

Provision for severance payments shown on the balance sheet:

In KEUR	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Balance as of 01/01	6,509	5,876	5,395	5,030	
Current service cost (+)	854	640	593	541	
Interest cost (+)	371	352	297	209	
Actuarial gains/losses	31	-15	-44	-67	
Payments (-)	-471	-344	-365	-320	
Change in the consolidation scope	362	0	0	2	
<b>Balance as of 12/31</b>	<b>7,656</b>	<b>6,509</b>	<b>5,876</b>	<b>5,395</b>	<b>5,030</b>
Unrecognized actuarial gains/losses	1,638	897	848	794	280
<b>Defined Benefit Obligation at the end of the period</b>	<b>9,294</b>	<b>7,406</b>	<b>6,724</b>	<b>6,189</b>	<b>5,310</b>

### Provision for pensions

Due to individual agreements some group companies are obligated to accord a pension allowance to the members of the Executive Board and to employees beginning with the date of their retirement. The entitlements depend on years of service and final compensation levels. The provision for pensions is calculated in line with IAS 19 (projected unit credit method) using an interest rate of 5% / 4.49% (previous year: 5.5% / 5.4%) and taking adjustments of values from 1.5% to 3% (previous year: 1.75% to 3%) into account.

Expenses for pensions recognized as personnel cost:

In KEUR	12/31/2010	12/31/2009
Current service cost	297	302
Interest cost	446	377
Actuarial gains/losses	-39	75
<b>Expense for the year</b>	<b>704</b>	<b>754</b>

Provision for pensions shown on the balance sheet:

In KEUR	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Balance as of 01/01	10,005	9,662	9,350	9,010	
Current service cost (+)	297	302	256	296	
Interest cost (+)	446	377	391	378	
Actuarial gains/losses	-39	0	0	0	
Prior service cost (-)	-3	0	0	0	
Payments (-)	-403	-337	-331	-329	
Currency translation	0	1	-4	-5	
<b>Balance as of 12/31</b>	<b>10,303</b>	<b>10,005</b>	<b>9,662</b>	<b>9,350</b>	<b>9,010</b>
Unrecognized actuarial gains/losses	-248	-1,478	-1,881	-1,340	-291
<b>Defined benefit obligation at the end of the period</b>	<b>10,055</b>	<b>8,527</b>	<b>7,781</b>	<b>8,010</b>	<b>8,719</b>

### Provision for jubilee payments

After a long period of service with the company, employees are entitled to jubilee payments arising from collective agreements. The amount of these obligations was calculated under the assumptions of a discount rate of 5% (previous year: 5.5%) and a pay increase of 3% (previous year: 3%). A fluctuation discount based on an internal statistic on the withdrawals of the last 3 years considering the probable individual continuance in the company was taken into account.

Expenses for jubilee payments recognized as personnel cost:

In KEUR	12/31/2010	12/31/2009
Current service cost	537	597
Interest cost	96	101
Actuarial gains/losses	-124	-734
<b>Expense for the year</b>	<b>509</b>	<b>-36</b>

Provision for jubilee payments shown on the balance sheet:

In KEUR	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Balance as of 01/01	2,631	2,861	1,271	1,090	
Current service cost (+)	537	597	1,683	435	
Interest cost (+)	96	101	59	42	
Actuarial gains/losses	-124	-734	-75	-232	
Payments (-)	-127	-194	-77	-64	
Changes in the consolidation scope	16	0	0	0	
<b>Balance as of 12/31</b>	<b>3,029</b>	<b>2,631</b>	<b>2,861</b>	<b>1,271</b>	<b>1,090</b>

### Other long-term provisions

The other long-term provisions essentially concern the provision for partial retirement obligations. The development of this item is shown below:

In KEUR	12/31/2010	12/31/2009
Balance as of 01/01	2,778	2,919
Currency translation	-3	-2
Change in scope of consolidation	30	49
Consumption	-1,964	-909
Disposal	-2	-46
Allocation	472	767
Reclassifications	-25	0
<b>Balance as of 12/31</b>	<b>1,286</b>	<b>2,778</b>

### (20) Other non-current liabilities

In KEUR	12/31/2010	12/31/2009
Deferred income	4,329	7,469
Miscellaneous other non-current liabilities	13,536	5,743
<b>Total</b>	<b>17,865</b>	<b>13,212</b>



**(21) Short-term financial liabilities**

In KEUR	12/31/2010	12/31/2009
Short-term bank loans	27,264	206,582
Short-term obligations under finance leases	5,108	4,982
Short-term financial liabilities	745	1,102
Fair Value valuation of interest rate swaps	4,229	3,273
<b>Total</b>	<b>37,346</b>	<b>215,939</b>

The short-term financial liabilities are due for settlement within one year.

The stated amount of short-term bank loans approximates their fair value.

**(22) Short-term provisions**

In KEUR	Unconsumed vacation	Other provisions for personnel	Warranties, rebates and customer bonuses	Other short-term provisions	Total
Balance as of 12/31/2009	10,434	7,656	4,034	28,685	50,809
Currency Translation	14	10	2	1,031	1,057
Changes in the consolidation scope	647	463	19	538	1,667
Consumption	-4,406	-7,531	-1,037	-7,894	-20,868
Disposal	-35	-135	-891	-3,256	-4,317
Allocation	3,813	7,928	2,307	7,195	21,243
<b>Balance as of 12/31/2010</b>	<b>10,467</b>	<b>8,391</b>	<b>4,434</b>	<b>26,299</b>	<b>49,591</b>

Other provisions for personnel comprise primarily incentives, royalties and time-credit.

Other short-term provisions mainly include provisions for customs and value added costs as well as provisions for legal, auditing and consulting costs.

**(23) Trade and other liabilities**

In KEUR	12/31/2010	12/31/2009
Trade payables	48,327	41,735
Payables to non-consolidated affiliated companies	1,213	1,064
Payables to associated companies	14	11
Down payments received	3,519	1,459
Deferred income	26,216	48,188
Other liabilities from social security obligations	4,505	3,546
Other taxes (except income tax)	25,022	20,529
Other short-term liabilities	40,954	28,531
<b>Total</b>	<b>149,770</b>	<b>145,063</b>

Deferred income is related mainly to the accrual of special rent payments for gaming machines in Germany and to the fact that profits resulting from the disposal of sale-and-leaseback transactions were carried as liability.

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

## Notes to the Consolidated Income Statement

The income statement was prepared applying the total expenditure format.

### (24) Revenues

In KEUR	2010	2009
Sale revenues	169,631	131,186
Operation of slot machines	507,957	442,383
Income from rent and management services	394,837	414,452
Betting income	40,816	34,703
eBusiness income	21,916	0
Income from food and beverages	18,507	18,391
Other sales	35,544	25,714
Sales reduction	-5,507	-8,457
<b>Total</b>	<b>1,183,701</b>	<b>1,058,372</b>

In the present consolidated financial statements, betting income is shown reduced by payout resulting from betting. The previous year's values were adjusted accordingly.

### (25) Changes in inventories of finished goods and work in progress and own work capitalized

In KEUR	2010	2009
Changes in inventories of finished goods and work in progress	16,007	26,420
Own work capitalized	164,457	136,680
<b>Total</b>	<b>180,464</b>	<b>163,100</b>

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

### (26) Other operating income

In KEUR	2010	2009
Income from the disposal of intangible assets and property, plant and equipment	9,992	9,203
Income from reversal of provisions	4,218	5,239
Other operating income	40,948	33,671
<b>Total</b>	<b>55,158</b>	<b>48,113</b>

Other operating income mainly consists of foreign exchange gains, rental income and income from operating expenses, release of value adjustments and settlements of claims.

### (27) Material cost and purchased services for production

In KEUR	2010	2009
Material cost	-261,962	-249,059
Purchased services for production	-1,135	-2,332
<b>Total</b>	<b>-263,097</b>	<b>-251,391</b>

**(28) Personnel cost**

In KEUR	2010	2009
Wages and salaries	-210,657	-185,475
Expenses for severance payments	-2,541	-1,806
Expenses for pensions	-878	-916
Expenses for mandatory social contributions and pay-roll related taxes	-48,614	-42,521
Other social expense	-2,039	-1,967
<b>Total</b>	<b>-264,729</b>	<b>-232,685</b>

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

**(29) Depreciation and amortization**

In KEUR	2010	2009
Scheduled depreciation of tangible and amortization of intangible assets	-215,337	-190,541
Impairment	-10,999	-22,929
<b>Total</b>	<b>-226,336</b>	<b>-213,470</b>

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

Based on impairment tests value adjustments on goodwill amounting to KEUR 8,265 (previous year: KEUR 1,655), on licenses amounting to KEUR 1,021 (previous year: KEUR 0), on gaming machines amounting to KEUR 1,632 (previous year: KEUR 5,148) and on other property, plant and equipment amounting to KEUR 81 (previous year: KEUR 11,376) were allowed.

**(30) Other operating expenses**

In KEUR	2010	2009
Other taxes, fees and other charges	-107,868	-97,281
Maintenance	-18,604	-17,408
Energy	-16,298	-16,334
Telephone, communications	-6,834	-4,791
Rent and lease payments	-56,163	-50,917
Insurance	-4,311	-3,877
Vehicle fleet operation costs	-7,966	-6,543
Legal, audit and consulting costs	-18,243	-12,141
Other services received	-34,410	-29,998
Advertising cost	-41,646	-28,698
Travelling cost	-6,037	-5,723
Development, license and patent cost	-11,489	-9,452
Commissions	-6,447	-4,742
Bad debt and valuation adjustment	-19,874	-24,077
Loss from the disposal of fixed assets	-7,730	-8,652
Other expenses	-78,160	-65,638
<b>Summe</b>	<b>-442,080</b>	<b>-386,272</b>

**(31) Share of the profit/loss of associated companies**

In KEUR	2010	2009
AGI Africa (Pty) Ltd.	0	674
Dragonara Gaming Ltd.	-275	0
Novo Sun S.A.	-4,861	-1,056
H. Polanz GmbH	1.012	681
Pratergarage Errichtungs- und Betriebsges.m.b.H.	-8	-5
SIM Spielbanken Investitions- Management GmbH	2	3
SIM Spielbanken Investitions- und Beteiligungs- Management GmbH & CO KG	471	475
Telcos S.R.L.	116	0
OOO United Gaming Industries	-178	-38
<b>Total</b>	<b>-3.721</b>	<b>734</b>

**(32) Financial income**

In KEUR	2010	2009
Interest income	2,681	3,737
Income from the disposal of financial assets	0	1
Income from other investments	18	18
Fair value valuation of interest rate swaps	357	336
Interest from finance lease receivables	1,115	0
Other financial income	8,000	6,416
<b>Total</b>	<b>12,171</b>	<b>10,508</b>

**(33) Financial expenses**

In KEUR	2010	2009
Interest expenses	-9,383	-10,049
Interest expenses for bond	-15,720	-5,757
Fair value valuation interest rate swaps	-816	-1,576
Interest on obligation under finance lease	-507	-818
Other financial expenses	-6,946	-11,116
<b>Total</b>	<b>-33,372</b>	<b>-29,316</b>

**(34) Tax expenses**

In KEUR	2010	2009
Current income tax expenses	-56,506	-62,272
Actual income tax relating to other periods	-719	-340
Deferred tax income/expense	-8,389	-3,536
<b>Income tax</b>	<b>-65,614</b>	<b>-66,148</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 2010 business year is stated below:

In KEUR	2010	2009
<b>Profit before taxes</b>	<b>198,159</b>	<b>167,695</b>
<b>Computed income tax expense of 25% (previous year: 25%)</b>	<b>-49,540</b>	<b>-41,924</b>
<b>Adjustment of the computed income tax expense:</b>		
Differing foreign tax rates	-7,607	-13,983
Effects of non-taxable income	169	1,575
Effects of non-deductible expenses	-2,080	-4,400
Effects of tax advantages	1,732	1,245
Actual income tax relating to other periods	-719	-340
Effects of change in tax rate of deferred taxes	-1,286	-43
Effects on the real tax expenses of initially not recognized and unused tax-losses carry forward and possible offsets	1,407	55
Effects on deferred tax expense of initially not recognized and unused tax-losses carry forward and possible offsets	953	266
Effects of the reversal of a previous adjustment of a deferred tax asset	-16	-235
Effects of unused tax-losses carry forward and possible offsets not recognized as deferred taxes	-7,713	-8,160
Withholding tax	-1,179	-164
Other	265	-40
<b>Effective group income tax expense</b>	<b>-65,614</b>	<b>-66,148</b>
<b>Effective group income tax rate</b>	<b>33.11%</b>	<b>39.45%</b>

Taxes on income comprised in other comprehensive income:

In KEUR	2010	2009
Changes from the revaluation of securities classified as available-for-sale	-251	-355
<b>Deferred taxes</b>	<b>-251</b>	<b>-355</b>

### (35) Loss from discontinued operations

The group withdrew from business in the Russian market owing to changes in the regulative environment of the Russian Gaming industry. Operational subsidiaries discontinued their activities as of June 30, 2009. The withdrawal of the business in this area is shown as "loss from discontinued operations."

The shares in Octavian Global Technologies Inc., USA, were sold through a Stock Purchase Agreement as of November 10, 2009. The business activity of the company consisted mainly in the development of its own games and systems for the gaming industry. According to IFRS 5 the result from the disposal of this business area in 2009 is shown in this position.

The comparative information regarding the loss and the cash flows of the discontinued operations was adapted in order to consider the classification of discontinued operations of the current reporting period.

**Loss from discontinued operations**

In KEUR	2010	2009
Sales	0	5,630
Other operating income	141	1,477
	<b>141</b>	<b>7,107</b>
Expenses	-1,245	-42,281
Results before taxes on income	-1,104	-35,174
Attributable taxes on income	42	-805
	<b>-1,062</b>	<b>-35,979</b>
Loss from disposal of operation	0	-8,837
Attributable taxes on income	0	2,193
	<b>0</b>	<b>-6,644</b>
<b>Loss from discontinued operations</b>	<b>-1,062</b>	<b>-42,623</b>

**Cash flow from discontinued operations**

In KEUR	2010	2009
Cash flow from operating activities	-99	-3,402
Cash flow from investing activities	-1,183	972
Cash flow from financing activities	-46	2,192
<b>Total cash flow</b>	<b>-1,328</b>	<b>-238</b>

**Notes to the Consolidated Cash Flow Statement**

Cash flow from operating, investing and financing activities is shown separately in the 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).

**Segment Reporting**

In the segment reporting, the group is divided into business segments. 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, accounts receivable trade and cash balances. Segment liabilities consist mainly of accounts payable trade, 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.

For management purposes, the Group is divided into five business segments. These areas are the basis for the Group's segment reporting.

The segment "sale" includes the production and sale of gaming and entertainment machines. The segment "rental" includes the rental of gaming and entertainment machines. The segment "gaming operations" consists of the operation of casinos and electronic gaming machine casinos. The segment "betting" comprises the betting business, in particular sports, dog racing and horse racing betting. The segment "other" essentially comprises foreign and domestic real estate management and activities in eBusiness.

The comparative information of 2009 was adapted accordingly due to changes in disclosure in the year 2010.

## Segment revenues

## 2010

In KEUR	Sale	Rental	Gaming operations	Betting	Other	Group adaptations	Total
External revenues	171,677	410,917	524,714	45,614	30,779	0	1,183,701
Inter-segment revenues	182,906	55,915	8,414	3,001	22,793	-273,029	0
<b>Total revenues</b>	<b>354,583</b>	<b>466,832</b>	<b>533,128</b>	<b>48,615</b>	<b>53,572</b>	<b>-273,029</b>	<b>1,183,701</b>

## 2009

In KEUR	Sale	Rental	Gaming operations	Betting	Other	Group adaptations	Total
External revenues	137,744	417,750	458,794	41,481	2,603	0	1,058,372
Inter-segment revenues	106,967	51,160	9,096	3,215	26,498	-196,936	0
<b>Total revenues</b>	<b>244,711</b>	<b>468,910</b>	<b>467,890</b>	<b>44,696</b>	<b>29,101</b>	<b>-196,936</b>	<b>1,058,372</b>

## Segment result

## 2010

In KEUR	Sale	Rental	Gaming operations	Betting	Other	Group adaptations	Total
Segment result (EBIT)	37,920	166,862	42,034	-2,456	17,485	-38,764	223,081
Financial result							-24,922
Result before taxes							198,159
Taxes on income							-65,614
Result after taxes from continuing operations							132,545
Discontinued operations							-1,062
<b>Profit for the year</b>							<b>131,483</b>

## 2009

In KEUR	Sale	Rental	Gaming operations	Betting	Other	Group adaptations	Total
Segment result (EBIT)	13,534	188,287	1,170	-1,159	-31	-16,033	185,768
Financial result							-18,073
Result before taxes							167,695
Taxes on income							-66,148
Result after taxes from continuing operations							101,546
Discontinued operations							-42,623
<b>Profit for the year</b>							<b>58,923</b>

**Segment assets and liabilities**
**2010**

In KEUR	Sale	Rental	Gaming operations	Betting	Other	Group adaptations	Total
Segment assets	321,851	539,977	380,358	18,120	319,720	-288,530	1,291,496
Segment liabilities	58,733	240,615	91,397	7,517	50,554	-223,255	225,561

**2009**

In KEUR	Sale	Rental	Gaming operations	Betting	Other	Group adaptations	Total
Segment assets	234,669	401,831	303,835	15,362	360,338	-173,319	1,142,716
Segment liabilities	68,656	150,181	111,214	12,123	20,574	-137,484	225,264

**Other segment information**
**2010**

In KEUR	Sale	Rental	Gaming operations	Betting	Other	Group adaptations	Total
Depreciation/ amortization	-8.502	-149.923	-48.910	-3.198	-15.804	0	-226.337
Investments	11,864	244,942	62,287	5,248	33,039	0	357,380
Income from associates	0	0	-3,535	0	-186	0	-3,721
Carrying amount of associated companies	0	0	140,283	0	4,606	0	144,889

**2009**

In KEUR	Sale	Rental	Gaming operations	Betting	Other	Group adaptations	Total
Depreciation/ amortization	-15,292	-129,016	-50,906	-3,056	-15,200	0	-213,470
Investments	20,139	192,603	83,794	5,885	75,940	0	378,361
Income from associates	674	0	102	0	-42	0	734
Carrying amount of associated companies	7,412	0	74,706	0	4,747	0	86,865



## Geographical segments

Group operates in seven geographical regions – Austria, Germany, Italy, Central and Southeast Europe, Latin America and other countries.

The revenues and segment assets of the Group are shown below:

### 2010

In KEUR	Austria	Germany	Italy	CEE	SEE	Latin America	Other countries	Total
Segment revenues	310,520	526,771	22,477	91,994	114,490	64,415	53,034	1,183,701
Segment assets	226,374	374,920	139,422	109,943	112,377	29,263	19,700	1,011,972

### 2009

In KEUR	Austria	Germany	Italy	CEE	SEE	Latin America	Other countries	Total
Segment revenues	279,172	489,326	8,893	102,032	101,991	31,566	45,392	1,058,372
Segment assets	223,363	301,319	81,781	125,010	127,767	85,713	37,286	982,239

## Financial Instruments

12/31/2010

in KEUR

Category acc. to IAS 39

		Loans and receivables	Assets available for sale	Other financial liabilities	Derivative instruments
<b>Non-current assets</b>					
Intangible Assets	151,687				
Property, plant and equipment	764,630				
Investment property	29,640				
Investments in associated companies	144,889				
Financial assets	11,276		7,920		
Deferred tax assets	31,128				
Other non-current assets	84,379	84,379			
<b>Total non-current assets</b>	<b>1,217,629</b>	<b>84,379</b>	<b>7,920</b>	<b>0</b>	<b>0</b>
<b>Current assets</b>					
Inventories	159,966				
Trade and other receivables	149,129	131,615			
Assets for current tax	15,427				
Short-term financial assets	9,041	8,953	88		
Cash and cash equivalents	277,324	277,324			
<b>Total current assets</b>	<b>610,887</b>	<b>417,892</b>	<b>88</b>	<b>0</b>	<b>0</b>
<b>Total ASSETS</b>	<b>1,828,516</b>	<b>502,271</b>	<b>8,008</b>	<b>0</b>	<b>0</b>
<b>Equity</b>					
Share capital	26,000				
Capital reserve	976				
Retained earnings	693,831				
Revaluation reserve acc. to IAS 39	-607				
Currency translation adjustment	-23,123				
Non-controlling interest	41,989				
<b>Total equity</b>	<b>739,066</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-current liabilities</b>					
Long-term financial liabilities	750,278			750,278	
Long-term provisions	22,274				
Deferred tax liabilities	39,499				
Other non-current liabilities	17,865			13,536	
<b>Total non-current liabilities</b>	<b>829,916</b>	<b>0</b>	<b>0</b>	<b>763,814</b>	<b>0</b>
<b>Current liabilities</b>					
Short-term financial liabilities	37,347			33,118	4,229
Short-term provisions	49,591				
Current tax liabilities	22,826				
Trade and other liabilities	149,770			123,554	
<b>Total current liabilities</b>	<b>259,534</b>	<b>0</b>	<b>0</b>	<b>156,672</b>	<b>4,229</b>
<b>Total LIABILITIES AND EQUITY</b>	<b>1,828,516</b>	<b>0</b>	<b>0</b>	<b>920,486</b>	<b>4,229</b>

Classification acc. to IFRS 7								
Fair value	Amortized costs							
Securities	Derivatives	Liquid funds	Accounts receivable trade	Loans	Bank and lease obligations	Accounts payable trade	Bond	Other Items
7,920								
7,920	0	0	0	8,857	0	0	0	75,522
			104,264					27,351
88				1,508				7,445
		277,324						
88	0	277,324	104,264	1,508	0	0	0	34,796
8,008	0	277,324	104,264	10,365	0	0	0	110,318
0	0	0	0	0	0	0	0	0
				919	251,768		497,591	
								13,536
0	0	0	0	919	251,768	0	497,591	13,536
	4,229				33,118			
0	4,229	0	0	0	33,118	49,554	0	74,000
0	4,229	0	0	919	284,886	49,554	497,591	87,536

12/31/2009

in KEUR

Category acc. to IAS 39

		Loans and receivables	Assets available for sale	Other financial liabilities	Derivative Instruments
<b>Non-current assets</b>					
Intangible Assets	135,257				
Property, plant and equipment	679,880				
Investment property	26,376				
Investments in associated companies	86,865				
Financial assets	11,733		7,741		
Deferred tax assets	26,940				
Other non-current assets	42,128	42,128			
<b>Total non-current assets</b>	<b>1,009,179</b>	<b>42,128</b>	<b>7,741</b>	<b>0</b>	<b>0</b>
<b>Current assets</b>					
Inventories	136,661				
Trade and other receivables	133,025	117,513			
Assets for current tax	15,622				
Short-term financial assets	5,129	4,968	161		
Cash and cash equivalents	215,838	215,838			
<b>Total current assets</b>	<b>506,275</b>	<b>338,319</b>	<b>161</b>	<b>0</b>	<b>0</b>
<b>Total ASSETS</b>	<b>1,515,454</b>	<b>380,447</b>	<b>7,902</b>	<b>0</b>	<b>0</b>
<b>Equity</b>					
Share capital	26,000				
Capital reserve	976				
Retained earnings	605,385				
Revaluation reserve acc. to IAS 39	-1,362				
Currency translation adjustment	-22,900				
Non-controlling interest	31,523				
<b>Total equity</b>	<b>639,622</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-current liabilities</b>					
Long-term financial liabilities	353,265			353,265	
Long-term provisions	21,923				
Deferred tax liabilities	24,459				
Other non-current liabilities	13,212			5,743	
<b>Total non-current liabilities</b>	<b>412,859</b>	<b>0</b>	<b>0</b>	<b>359,008</b>	<b>0</b>
<b>Current liabilities</b>					
Short-term financial liabilities	215,939			212,666	3,273
Short-term provisions	50,809				
Current tax liabilities	51,162				
Trade and other liabilities	145,063			96,875	
<b>Total current liabilities</b>	<b>462,973</b>	<b>0</b>	<b>0</b>	<b>309,541</b>	<b>3,273</b>
<b>Total LIABILITIES AND EQUITY</b>	<b>1,515,454</b>	<b>0</b>	<b>0</b>	<b>668,549</b>	<b>3,273</b>

Fair Value	Classification acc. to IFRS 7								
	Securities	Derivatives	Liquid funds	Amortized costs Accounts receivable trade	Loans	Bank and lease obligations	Accounts payable trade	Bond	Other Items
7,741									
					13,271				28,857
7,741	0	0	0	0	13,271	0	0	0	28,857
				91,877					25,636
161					4,440				528
			215,838						
161	0	215,838	91,877	4,440	0	0	0	0	26,164
7,902	0	215,838	91,877	17,711	0	0	0	0	55,021
0	0	0	0	0	0	0	0	0	0
					609	203,092		149,564	
									5,743
0	0	0	0	0	609	203,092	0	149,564	5,743
		3,273				212,666			
							42,810		54,065
0	3,273	0	0	0	0	212,666	42,810	0	54,065
0	3,273	0	0	0	609	415,758	42,810	149,564	59,808



**Valuation of financial instruments**

The following hierarchy is used by NOVOMATIC AG in order to assign the financial instruments valued at fair value to a valuation method:

Step 1: Valuation according to listed (unadjusted) prices on active markets for financial instruments.

Step 2: Valuation according to market prices for similar instruments or according to valuation models based on valuation parameters only observable on the market.

Step 3: Valuation according to parameters which significantly affect the fair value and are not based on observable market data. As of December 31, 2010 there were no financial instruments to be classified as step 3 instruments

In KEUR	12/31/2010	12/31/2009	Step 1	Step 2
<b>Assets</b>				
Financial assets available for sale	8,008	7,902	8,008	
<b>Liabilities</b>				
Derivative instruments	4,229	3,273		4,229

The carrying amount and the fair value of financial instruments valued at amortized costs are shown as follows:

In KEUR	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Accounts receivable	104,264	104,264	91,877	91,877
Loan	10,365	10,365	17,711	17,711
Other assets	110,318	110,318	55,021	55,021
<b>Liabilities</b>				
Bond	497,591	488,785	149,564	148,170
Loan	919	919	609	609
Bank and lease liabilities	284,886	288,808	415,758	419,668
Accounts payable	49,554	49,554	42,810	42,810
Other debt	87,536	87,536	59,808	59,808

The market value of bank and lease liabilities was determined by the calculation of the discounted future cash flows related to these liabilities, taking into account the market interest rate as of the balance sheet date. The fair value of the bond refers to its respective market price.

Cash, accounts receivable and accounts payable as well as all other items mainly have short maturities. Therefore, their carrying amounts correspond with the fair value.

The following chart shows the net result per category according to IAS 39:

12/31/2010 In KEUR	Subsequent measurement			Disposal	
	Allowances	At fair value	Other results	Results	Net results
Loans and receivables	-19,874	-	-	-	-19,874
Derivative instruments	-	-459	-	-	-459

12/31/2009 In KEUR	Subsequent measurement			Disposal	
	Allowances	At fair value	Other results	Results	Net results
Loans and receivables	-24,077	-	-	-	-24,077
Derivative instruments	-	-1,240	1,214	-	-26

## Financial Risk Management

NOVOMATIC AG controls and manages the financial risks connected to the business segments of the Group with the objective of limiting these risks. The relevant financial risks concerning the Group are supported by a treasury management system which is established in the industrial and bank sector, are monitored on a regular basis, and are collateralized if necessary to minimize and estimate the risk.

The identification, analysis and valuation of financial risks as well as the decisions concerning the application of financial instruments to manage those risks are carried out essentially at the Group's headquarters. The possible adoption of derivative instruments is subject to supervision through the management of the Group.

## Liquidity Risk

The liquidity or financing risk is the risk of the company to remain solvent (through own means or through investors) at any time as to fulfill due obligations in time, to have the possibility of obtaining necessary financial means from investors or give aval or similar credits. Furthermore, there is an extensive need for liquid funds in the gaming industry, especially for cash in the Group's gaming establishments. A major part of the stated cash is tied up as cash reserves and base filling of the gaming machines at the various gaming establishments.

Due to the conservative debt management of the Group, liquidity risk is limited. Nevertheless, NOVOMATIC AG lays an additional focus on liquidity risk and its control. Liquidity and financial flexibility at any time is granted through the existent liquid funds and the available financing margin. Based on the results of the Group strategy and Group planning processes, day-to-day liquidity planning is effected, thus offering a current status of the estimated development of the liquidity. Medium and long-term financing needs are determined by the means of this forecast of the expected cash flows.

In order to additionally reduce the liquidity risk, NOVOMATIC AG seeks an investor base that is broad as possible and internationally diversified. Relationships with international banks and financial service providers were intensified in 2010. Additionally, financing from the capital market grew in its importance. In this way, NOVOMATIC AG used the positive capital market environment in 2010 to issue two bonds in line with an issuance program. In January 2010 a domestic bond with a term of 5 years and a nominal value of mEUR 200, and in October 2010 a bond with a term of 7 years and a nominal value of mEUR 150, were issued. The bonds were in especially high demand among Austrian private investors.

Apart from the issuance of these bonds, no significant new financing was launched in 2010.

To reduce refinancing risk, NOVOMATIC AG placed funds in 2010 for the redemption of the bond, which is due in 2012. In keeping with a conservative investment strategy, the Group used only money market investments of banks with an excellent rating in order to minimize the risk of capital loss.

## Credit Risk

The credit risk constitutes the risk of delay or default in payment of a contractual partner. In the Group's finance and sales department, credit relationships with banks and business partners with high creditworthiness predominate. Additionally, the immanent default risk of underlying transactions is collateralized as far as possible through bank securities (e.g. guarantees, commercial letters of credit).

In the sales business, the Group is exposed to credit risk as customers might not fulfill their payment obligations. The risk is limited by regularly analyzing the creditworthiness of the customer portfolio. Owing to a multitude of business partners, there is no concentration of default risk.

The following table shows the contractually fixed payments for clearances, redemptions and interest from financial liabilities including derivative financial instruments stated on the consolidated balance sheet. Derivative instruments are shown at their market value whereas other liabilities are shown in the amount of the non-discounted cash flows for the following business years:

In KEUR	2011	2012-2015	2010	2011-2014
Bond	22,125	412,438	5,625	160,313
Bank loans	30,105	218,415	210,320	111,523
Lease liabilities	5,356	9,842	5,198	16,795
Accounts payable	49,554	0	42,810	0
Derivative financial instruments	4,229	0	3,273	0
Other payables	74,000	0	59,808	0

## Market Risk

### a) Interest rate risk

In the context of external financing activities as well as its capital investment strategy, NOVOMATIC AG Group is exposed to an interest rate risk. The development of interest rates can have a positive or negative effect directly on the value of financial instruments or on the resulting interest income/loss.

Due to risk management-related considerations, fixed as well as variable interest is paid on the existing debt and short as well as long-term financing are concluded to minimize the cluster risk.

A guideline defined by the Executive Board is the basis for all hedge transactions. Derivative financial instruments are concluded exclusively for the purpose of collateralizing underlying transactions and not out of speculative considerations.

The concluded interest rate swaps are recognized at fair value in the financial statements.

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

In KEUR	2010		2009	
Change (in basis points)	+50 basis points	-50 basis points	+50 basis points	-50 basis points
Change in the profit before taxes	-1,087	+1,087	-468	+468

### b) Exchange risk

The risk resulting from fluctuations in the value of financial instruments, other items of the balance sheet (e.g. receivables and liabilities) and/or cash flows due to currency fluctuations is called exchange risk. This risk resides predominantly in business transactions conducted in currencies other than the local currency of an entity (hereinafter referred to as foreign currency) or in regular business activity.

The development of the exchange risk relevant for NOVOMATIC AG is constantly monitored and collateralized if necessary to minimize this risk. If necessary, these transactions are secured in order to minimize the risk of exchange losses. A first hedge is initially provided through items that are naturally self-contained, for instance trade receivables in USD balanced by liabilities for the purchase of materials in USD. With regard to the exchange rate risks from operational transactions, NOVOMATIC AG is in a USD net payers' position because of the invoiced payments for material in USD. Parts of the current need for USD are secured by means of futures.

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

In KEUR	2010		2009	
Exchange rate fluctuation USD to EUR	+ 10 USD Cent	- 10 USD Cent	+ 10 USD Cent	-10 USD Cent
Change in the operating profit	5,715	-6,651	3,054	-3,524
Change in equity	4,286	-4,988	2,291	-2,643

Interest-bearing financial liabilities of NOVOMATIC AG Group are mainly in Euros as of the balance sheet date, for which reason no material exchange risk exists in this respect.

### c) Capital investments

In this area, the risks primarily concern exchange rate and valuation risks related to capital investments. The securities held by NOVOMATIC AG comprise predominantly stocks traded at the Vienna Stock Exchange that were affected by the global price fluctuations during the period under report.

In June 2009, NOVOMATIC AG invested EUR 1,000,000 in participation capital of an Austrian credit institution. The risk consists in the potential failure of yearly interest payments should there be no disburseable profit, as well as of reimbursement of capital at maturity. In business year 2010, in line with an acquisition project in Austria, options (put/call-options) on the purchase of the not acquired interests in the company were concluded. In case of a scheduled exercise of the option in 2012, NOVOMATIC AG is obligated to purchase the interests for a price which depends on the enterprise value. There exists a risk that the market value of the outstanding interests lies above the minimum purchase price agreed upon, provided that the enterprise value is recalculated leading to a higher valuation of the company.

There were no significant further capital investment-related events in 2010.

**Derivative financial instruments**

To collateralize financial risks, NOVOMATIC AG has concluded the following derivatives:

In KEUR	12/31/2010		12/31/2009	
	Nominal value	Market value	Nominal value	Market value
Interest rate swap, 2007–2014	30,000	-2,751	30,000	-2.708
Interest rate swap, 2013	2,400	-140	n/a	n/a
Forward Start IRS, 2010–2014	30,000	-1,339	30,000	-565
USD futures trading, 1/14/10–12/15/11	37,176	262	n/a	n/a
USD futures trading, 01/13/10–06/11/10	n/a	n/a	24,414	151

The market value of the derivative instruments corresponds with the amount that the respective company would receive or would have to pay in case of cancellation of the option as of the balance sheet date. For this, the prevailing market conditions and especially the prevailing interest levels are taken into account.

**Other Information**

**Average number of employees**

The average number of employees evolved as follows:

	12/31/2010	12/31/2009
Salaried employees	4,253	3,549
Workers	6,291	6,782
<b>Total</b>	<b>10,544</b>	<b>10,331</b>

**Group audit fees**

The expenses for services of the group auditor (including the network according to sec. 271b Austrian Company Code) present themselves as follows:

In KEUR	2010	2009
Group audit and audit of financial statements	770	746
Audit-related services	157	0
Tax advisory services	13	15
Other consultancy	20	200



### Related party transactions

The following table contains the total amount of related party transactions for the respective period:

In KEUR	Associated companies		Management		Others	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Receivables	2,926	1,765	2,150	0	3,903	7,263
Liabilities	14	11	166	28	7,216	89
Sales	5,915	5,448	0	19	12,421	19,819
Cost of material	0	0	0	0	60,310	24,900
Consulting services	0	0	84	96	2,024	1,668
Research and development	0	0	0	0	2,999	2,181
Other expenses	1,222	997	0	0	1,757	1,508

Transactions with associated companies result from the business related exchange of goods and services. Associated companies are mentioned under 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 and from the sale of tangible assets. 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. The transactions with the 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

In KEUR	12/31/2010	12/31/2009
Bill commitments	950	1,882
Suretyships and guarantees	24,146	1,140
<b>Total</b>	<b>25,096</b>	<b>3,022</b>

The Group granted a payment guarantee against UniCredit Bank Austria AG amounting to KEUR 1,000 (previous year: KEUR 1,000) for Mega Games S.r.l. Bozen in favor of Atlantis World Group of Companies N.V. Netherlands. Payment guarantees were granted against the regulatory authority AAMS amounting to KEUR 23,066 due to the market entry in Italy.

### Subsequent events after date of balance sheet

Effective as of January 1, 2011 the NOVOMATIC Group acquired a 92.04% interest in Spielbank Berlin Gustav Jaenecke GmbH & Co KG and interests in other limited partnerships for a purchase price amounting to KEUR 13,826. Spielbank Berlin, which was founded in 1975, is among the highest-revenue live game casinos in Germany. Information concerning the purchase price allocation is omitted since it has not yet been finalized.

## Company bodies

The following members of the Executive Board were appointed for the 2010 business year:

Dr. Franz Wohlfahrt (CEO)

KR Dipl. Ing. Ryszard Presch (COO)

Mag. Peter Stein (CFO)

Mag. Thomas Graf (CTO since December 16, 2010)

In business year 2010, the Supervisory Board was constituted by the following members:

KR Herbert Lugmayr (chairman)

Dr. Gernot Hain (deputy chairman)

Helmut Jell

Mag. Karl Schlögl

Dr. Bernd Oswald

Mag. Thomas Graf (until December 16, 2010)

Erich Kirchberger (deputy chairman since December 16, 2010)

The current total remuneration of the members of the Executive Board of NOVOMATIC AG amounted to KEUR 1,360 for the business year 2010 (previous year: KEUR 984). Of the expenses for severance payments and pensions, KEUR 196 (previous year: KEUR 196) and KEUR 255 (previous year: KEUR 255), respectively, were attributed to the Executive Board of Management. The members of the Supervisory Board received KEUR 168 (previous year: KEUR 133) for their function during business year 2010. The current total remuneration of the Supervisory Board amounted to KEUR 0 (previous year: KEUR 43) in 2010.

No liabilities for loans to members of the Supervisory Board and the Board of Management existed in the business year 2010.

## Publication

The present consolidated financial statements were released on April 20, 2011 by the Executive Board for examination by the Supervisory Board, for submission to the general shareholders' meeting and for subsequent publication.

Gumpoldskirchen, April 20, 2011

The Executive Board of NOVOMATIC AG:



KR DI Ryszard Presch m.p.  
COO



Dr. Franz Wohlfahrt m.p.  
CEO



Mag. Thomas Graf m.p.  
CTO



Mag. Peter Stein m.p.  
CFO

## Statement of the Executive Board

We confirm to the best of our knowledge that the consolidated financial statements as of December 31, 2010 give a true and fair view of the financial position, the financial performance, and the cash flows of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and that the consolidated management report of December 31, 2010 gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties which the Group faces.

We confirm to the best of our knowledge that the separate financial statements as of December 31, 2010 give a true and fair view of the financial position, the financial performance and the cash flows of NOVOMATIC AG required by the Austrian Commercial Code, and that the management report of December 31, 2010 gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties which the company faces.

Gumpoldskirchen, April 20, 2011

The Executive Board of NOVOMATIC AG:



**KR DI Ryszard Presch m.p.**  
COO



**Dr. Franz Wohlfahrt m.p.**  
CEO



**Mag. Thomas Graf m.p.**  
CTO



**Mag. Peter Stein m.p.**  
CFO

# 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 January 1, 2010 to December 31, 2010. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2010, the consolidated income statement and the statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2010, 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 as well as with Austrian regulations. 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.

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 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 December 31, 2010 and of its financial performance and its cash flows for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as well as with Austrian regulations.

**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, April 20, 2011

Deloitte Audit Wirtschaftsprüfungs GmbH

**Dr. Michael Heller m.p.**  
Certified Public Accountant

**ppa. Mag. Eveline Schramm m.p.**  
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 consolidated financial statements and our auditor's report may be published or transmitted together only if the consolidated financial statements and the Management Report for the Group are identical with the confirmed version. Section 281 para 2 of the Austrian Commercial Code applies to versions that differ.





**Separate  
Financial Statement  
NOVOMATIC AG**

# Balance Sheet

## NOVOMATIC AG

as of December 31, 2010

Assets	12/31/2010 EUR	12/31/2009 KEUR
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
Industrial property rights, licenses and similar rights	25,889,469.24	21,228
<b>II. Tangible assets</b>		
1. Land, buildings and improvements in third-party buildings	179,508,079.44	172,286
2. Plants and machinery	161,645.88	168
3. Office fixtures, fittings and equipment	2,296,363.49	2,266
4. Tangible assets in course of construction	1,826,925.27	1,081
	<b>183,793,014.08</b>	
<b>III. Financial assets</b>		
1. Shares in affiliated companies	253,336,879.70	208,230
2. Loans to affiliated companies	236,381,736.25	148,302
3. Investments	3,738,607.00	3,738
4. Securities held as fixed assets	6,414,396.74	5,286
5. Other loans	4,909,019.91	4,892
	<b>504,780,639.60</b>	
	<b>714,463,122.92</b>	<b>567,477</b>
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>		
1. Trade receivables	399,669.88	384
2. Receivables from affiliated companies	149,694,338.21	131,613
3. Other receivables and assets	4,520,927.58	2,499
	<b>154,614,935.67</b>	
<b>II. Securities and Shares</b>		
Other securities and shares	0.00	2
<b>III. Cash, bank deposits</b>	<b>89,942,018.73</b>	<b>19,611</b>
	<b>244,556,954.40</b>	<b>154,109</b>
<b>C. Prepaid expenses</b>		
1. Prepaid expenses	1,963,758.39	856
2. Deferred tax assets	1,910,770.20	1,353
	<b>3,874,528.59</b>	<b>2,209</b>
	<b>962,894,605.91</b>	<b>723,795</b>

	12/31/2010	12/31/2009
	EUR	KEUR
<b>Liabilities and Shareholders' Equity</b>		
<b>A. Shareholders' equity</b>		
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 (thereof profit carried forward EUR 120,994,681.71, previous year: KEUR 125,332)	161,121,172.25	150,995
	<b>189,721,172.25</b>	<b>179,595</b>
<b>B. Untaxed reserves</b>		
Valuation reserve from special depreciation allowances	<b>158,185.22</b>	<b>154</b>
<b>C. Accruals</b>		
1. Accruals for severance payment	1,479,341.00	1,123
2. Pension accruals	1,281,938.00	923
3. Tax accruals	5,326,980.09	3,931
4. Other accruals	4,516,791.02	3,667
	<b>12,605,050.11</b>	<b>9,644</b>
<b>D. Liabilities</b>		
1. Bonds	500,000,000.00	150,000
2. Due to banks	240,384,440.12	372,517
3. Trade payables	3,033,729.92	4,412
4. Payables to affiliated companies	1,256,349.66	1,479
5. Other liabilities		
a) thereof taxes	11,595.80	7
b) thereof social security	51,836.47	43
c) other	13,443,267.80	4,126
	<b>758,181,219.77</b>	<b>532,584</b>
<b>E. Deferred income</b>		
Deferred income	<b>2,228,978.56</b>	1,818
	<b>962,894,605.91</b>	<b>723,795</b>
<b>Contingent liabilities</b>	<b>32,309,795.97</b>	<b>40,166</b>

# Profit and Loss Account

from January 1, 2010 to December 31, 2010

	2010 EUR	2009 KEUR
1. Sales	39,089,813.44	34,472
2. Other operating income		
a) Income from the disposal of fixed assets except financial assets	34,626.83	0
b) Income from dissolution of accruals	9,213.60	95
c) Other	2,731,805.13	964
	<b>2,775,645.56</b>	
3. Personnel expenses		
a) Salaries	-3,545,117.50	-2,653
b) Expenses for severance payments and contributions to external severance payments funds	-371,228.02	-288
c) Pension expenses	-350,345.09	-210
d) Cost of statutory social security, payroll-related taxes and mandatory contributions	-619,096.22	-481
e) Other social expenses	-98,785.07	-52
	<b>-4,984,571.90</b>	
4. Amortisation of intangible assets and depreciation of tangible assets	-15,765,059.36	-12,544
5. Other operating expenses		
a) Taxes not included in line 15	-207,267.73	-97
b) Other	-23,335,635.74	-19,467
	<b>-23,542,903.47</b>	
<b>6. Operating income (subtotal of lines 1 to 5)</b>	<b>-2,427,075.73</b>	<b>-261</b>
7. Investment income (thereof from affiliated companies: EUR 55,198,000.00; previous year: KEUR 35,710)	55,672,863.00	36,446
8. Income from other investments and long-term loans (thereof from affiliated companies: EUR 6,124,525.92; previous year: KEUR 2,464)	6,573,826.34	2,819



	2010 EUR	2009 KEUR
9. Other interest and similar income (thereof from affiliated companies: EUR 2,142,836.86; previous year: KEUR 3,363)	2,688,087.79	5,612
10. Gain from disposal of and appreciation to financial assets and securities held as current assets	844,697.31	9,424
11. Expenses from financial assets and securities held as current assets (thereof depreciation: EUR 89,180.21; previous year: KEUR 13,100) (thereof from affiliated companies: EUR 72,506.40; previous year: KEUR 13,088)	-96,373.19	-13,100
12. Interest and similar expenses (thereof from affiliated companies: EUR 7,099.49; previous year: KEUR 8)	-25,153,025.80	-16,223
<b>13. Financial result (subtotal of lines 7 to 12)</b>	<b>40,530,075.45</b>	<b>24,978</b>
<b>14. Results from ordinary activities</b>	<b>38,102,999.72</b>	<b>24,717</b>
15. Taxes on income (thereof tax apportionment EUR 4,704,949.44; previous year KEUR 4,253)	2,027,609.98	948
<b>16. Net income for the year</b>	<b>40,130,609.70</b>	<b>25,665</b>
17. Dissolution of untaxed reserves Evaluation reserve from special depreciation allowances	14,913.88	14
18. Allocation to untaxed reserves Evaluation reserve from special depreciation allowances	-19,033.04	-16
<b>19. Net profit for the year</b>	<b>40,126,490.54</b>	<b>25,663</b>
20. Profits carried forward from previous year	120,994,681.71	125,332
<b>21. Retained profits</b>	<b>161,121,172.25</b>	<b>150,995</b>

# Notes to the Financial Statements 2010

NOVOMATIC AG

## I. Accounting and Valuation Methods

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 assumption of going concern, and was based upon the valuation methods applied with last year's annual accounts, unless changes in the valuation methods 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 statement was prepared according to the total expenditure format. Items of the balance sheet or the profit and loss statement 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 items 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 accruals 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 to 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 amortization assuming a useful life of 4–10 years.

Additions of about KEUR 13,761 primarily concern specific software rights which 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 21,195 (previous year: KEUR 16,289).

**1.2. Tangible assets**

The real estate value of undeveloped and built-up land amounts to KEUR 45,192 (previous year: KEUR 41,616).

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 items 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 essential additions of the current year are the acquisition of a plant building in Gumpoldskirchen and the acquisition of a hotel in Baden.

**2. Financial assets**

Financial assets are valued at acquisition costs.

Securities are valued at acquisition costs or at 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
- a necessity for 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 will not be applied in case of mere start-up losses.

Additions to the shares in affiliated companies amounting to approximately KEUR 49,241 are mainly due to the capital increases of KEUR 30,200 at an Italian subsidiary and the start-up of an affiliated company, which accounted for KEUR 18,776.

For further details concerning the shares in affiliated companies, please refer to point IV.

Loans granted to affiliated companies amount to KEUR 236,382 (previous year: KEUR 148,302). This change concerned subsidiaries with promising growth prospects.

Other loans, with acquisition costs amounting to KEUR 5,678 (previous year: KEUR 5,661), remained nearly unchanged. Accumulated impairment amounting to KEUR 769 (previous year: KEUR 769) remained unchanged.

Of loans granted to affiliated companies, an amount of KEUR 5,807 (previous year: KEUR 9,671) is due within one year.

## B. Current assets

### 1. Accounts receivable and other assets

#### 1.1 Trade receivables

Accounts receivable are stated at nominal value. In case of apparent individual risks, 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 102,466 with the subsidiary Austrian Gaming Industries GmbH and KEUR 43,958 with the subsidiary HTM Hotel und Tourismus Management GmbH. These balances include the distributions of profit declared for 2010 but not yet collected from Austrian Gaming Industries GmbH in the amount of KEUR 20,000 and from HTM Hotel und Tourismus Management GmbH in the amount of KEUR 35,000.

Intra-company receivables are managed on an open item basis with an interest rate of 2.25 percent to 5 percent. Interest earnings are included in the financial result. The receivables from affiliated companies consist of trade receivables in the amount of KEUR 3,073 (previous year: KEUR 2,093). The remaining time to maturity of the receivables – as in the previous year – is less than one year.

#### 1.3 Other receivables and assets

The substantial other receivables and assets amount to KEUR 4,521 (previous year: KEUR 2,499) and concern allocations with tax authorities. Other receivables in the amount of KEUR 89 (previous year: KEUR 89) are due in more than one year.

## C. Prepaid expenses

The prepaid expenses amounting to KEUR 3,875 consist essentially of deferred tax assets, a capitalized discount and expenditures pertaining to the year 2011.

## Equity and liabilities

### A. Equity

The capital stock of the Company amounts to KEUR 26,000, as in the previous year.

Capital reserves tied-up amounting to KEUR 976 and legal reserves amounting to KEUR 1,624 remained unchanged, whereby the total appropriate reserves – amounting to KEUR 2,600 – correspond to 10 percent of the capital stock as required by law.

### B. Untaxed reserves

The valuation reserve concerns low-value assets according to section 13 and a reserve according to section 12 of the Austrian Income Tax Act (EStG). Regarding the development of untaxed reserves, we refer to the enclosed supplement.

### C. Accruals

In compliance with the principle of prudence, all identifiable risks and liabilities of uncertain amount and origin at balance sheet date were accounted for by setting up accruals according to reasonable commercial judgment.

The accruals for severance payments were calculated applying actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 5 percent (previous year: 5.5 percent) and assuming a pay increase of 3 percent. 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 356 (previous year: KEUR 256), concern changes in accruals for severance payments.



Due to irrevocable pension commitments, a pension accrual 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 5 percent (previous year: 5.5 percent) and value adjustments of 3 percent. Pension expenses, at KEUR 359 (previous year: KEUR 209), concern the changes in accruals.

Other accruals consist of those for auditing and consulting fees, for expenses for annual reports, for interest rate swap deals, for unconsumed vacation and for jubilee payments. Accruals 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 5 percent (previous year: 5.5 percent) and assuming a pay increase of 3 percent.

Expenses for the audit of the financial statements are disclosed in the notes to the consolidated financial statements.

The accruals 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 accruals.

The accrual for the deferred tax liability amounting to KEUR 5,320 (previous year: KEUR 3,929) results from the allocation of losses from the tax group members pursuant to section 9 of the Austrian Corporate Income Tax Act (KStG), which in Austria are taxable retrospectively in case of loss deduction under the foreign tax authority. Due to differing maturities, this deferred tax liability was not netted with the deferred tax assets (which are recognized separately as prepaid expenses).

## D. Liabilities

### Maturity

In KEUR	Total liabilities with maturity in less than 1 year	Total liabilities with maturity in 1 to 5 years	Total liabilities with maturity in over 5 years
Bond	0	350,000	150,000
(previous year)	0	150,000	0
Due to banks	7,854	189,790	42,740
(previous year)	192,115	74,304	106,098
Trade payables	3,034	0	0
(previous year)	4,412	0	0
Payables to affiliated companies	956	300	0
(previous year)	1,186	293	0
Other liabilities	13,507	0	0
(previous year)	4,175	0	0

In 2005, a bond amounting to KEUR 150,000 was issued for the first time with a maturity of 7 years and bearing interest of 3.75 percent p.a. This bond was to support further growth in the areas of development, production and gaming house operations. In 2010, two new bonds were issued within the framework of an issuance program in order to finance further expansion. The January 2010 bond has a volume of KEUR 200,000, a maturity of 5 years and bears interest of 4.5 percent p.a.; the October 2010 bond amounts to KEUR 150,000, has a maturity of 7 years and bears interest of 5 percent p.a.

Payables to affiliated companies amounting to KEUR 692 (previous year: KEUR 837) concern other liabilities. Of the other liabilities, expenses in the amount of KEUR 13,260 (previous year: KEUR 3,363) will be affecting payment only after the balance sheet date.

**E. Contingent liabilities**

At balance sheet date, there are contingent liabilities amounting to KEUR 32,309 (previous year: KEUR 40,166); of this sum, an amount of KEUR 24,902 (previous year: KEUR 33,051) concerns affiliated companies.

Contingent liabilities comprise comfort letters or guarantees for bank loans as well as deficiency guarantees for affiliated companies, and are composed as follows:

**a) Contingent liabilities**

Bank	Company in favor	Security	Ceiling KEUR	As of Dec. 31, 2010
UniCredit Vienna	Admiral Sportwetten GmbH	Comfort letter	3,363	813
BAWAG	Admiral Sportwetten GmbH	Comfort letter	1,000	337
UniCredit Vienna	Austrian Gaming Industries GmbH	Comfort letter	1,526	0
Oberbank	Admiral Sportwetten GmbH	Comfort letter	370	0
		Deficiency guarantee in favor of		
	HTM Hotel und Tourismus Management GmbH	D. Pirker	630	184
		G. Pirker	210	61
Allg. Sparkasse OOE	Admiral Sportwetten GmbH	Comfort letter	1,000	191
Raiffeisenlandesbank NOE-Wien AG	Admiral Sportwetten GmbH	Comfort letter	2,280	730
Welsh Assembly Government	Astra Games Ltd.	Guarantee	1,566	94
National Westminster Bank Plc	Astra Games Ltd.	Guarantee	1,741	626
Landesbank Baden-Württemberg	Extra Games Entertainment GmbH	Comfort letter	3,750	1,882
Spk Kremsthal-Pyhrn	Trust Company 3	Comfort letter	1,700	1,496
UniCredit Wien	Crown Gaming S.A.C.	Guarantee	14,991	14,991
Erste Bank AG	Trust Company 3	Guarantee	2,000	1,971
Hypo Vereinsbank	Novo Immobilien GmbH	Suretyship	1,525	1,525
UniCredit, Wien/Hypo Vereinsbank	BPA Freizeit-und Unterhaltung Elektr. GmbH	Loan collateral guarantee	4,200	298
UniCredit, Wien/Banco Security, Chile	San Francisco Investment S.A.	Bank guarantee	3,368	3,368
UniCredit, Wien/Banco Security, Chile	San Francisco Investment S.A.	Bank guarantee	3,742	3,742
TOTAL				32,309

**b) Information regarding the nature of created physical securities**

Nature of the created physical security	Nature of the created physical security	Cadastre	Amount in KEUR
Mortgage as security for a loan	3184	Mödling	3,000

**F. Other financial liabilities**

Liabilities from current lease contracts comprise:

	Due within 1 year in KEUR	Due within 5 years in KEUR
Liabilities from current lease contracts	959	4,793
(previous year)	1,142	5,328

### III. Explanations concerning the Profit & Loss Account

#### 1. Breakdown of sales

##### 1.1. Areas of activity

	Reporting period in KEUR	Previous year in KEUR
Income from trademarks and licenses	12,312	10,849
Group charges	7,239	6,868
Provision of personnel	2,076	1,973
Income from rental and absorbed op. exp.	17,463	14,782
	39,090	34,472

##### 1.2. Geographical areas

	Reporting period in KEUR	Previous year in KEUR
Income domestic	34,466	30,803
Income third country (EU)	4,624	3,669
	39,090	34,472

#### 2. Taxes on income

Taxes only affect profit or loss from ordinary activities.

NOVOMATIC AG has used the opportunity to form 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
- Adria Gaming International S.p.A., Italy
- AS Novoloto, Estonia
- NOVOMATIC Investment Chile S.A., Chile

In the tax apportionment contract with the domestic tax group member, 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 with 21.5 percent or 25 percent (tax rate pursuant to section 22 para 1 of the Austrian Corporate Income Tax Act [KStG]) by the tax group member. For the allocated losses there exists a symmetrical agreement, whereas losses that cannot be allocated are to be credited as "internal tax loss carried forward" at 21.5 percent of the assessment basis if they are usable. In case of elimination of a member from the tax group, negative – unused – results of the group member will be charged with 21,5 percent of the assessment basis on the final settlement.

No tax apportionment contracts were concluded with the foreign group members.

In detail, the item taxes on income presents itself as follows:

	in KEUR
Corporate income tax expense, 2010	549
Corporate income tax expense, previous years	179
Corporate income tax expense for deferred taxes	832
Foreign withholding tax expense	1,117
Income from tax apportionment "tax group"	-4,705
<b>Total</b>	<b>-2,028</b>

#### IV. Information on Essential Investments

Company, domicile	Share	Book value as of 12/31/10 EUR	Equity EUR	Annual result EUR
Adria Gaming International SpA, Rimini (Italy)	100%	60,200,000	54,495,877	4,107,392
Albaten Sh.p.k. (Albania)	100%	529,021	683,221	24,531
Austrian Gaming Industries GmbH, Gumpoldskirchen (Austria)	100%	164,304,397	560,504,016	104,967,184
HTM Hotel- u. Tourismus Management GmbH, Gumpoldskirchen (Austria)	100%	1,072,607	59,301,863	20,977,739
Trust Company 10	100%	18,775,861	20,102,115	-203,256
NMN Automatentechnik GmbH (Austria)	99%	4,098,234	2,739,497	126,752
NOVOMATIC Casino u. Automatentechnik GmbH, Berlin (Germany)	100%	0	-1,864,646	-80,028
NOVOMATIC Forum GmbH (Austria)	100%	111,881	81,221	-6,538
NOVOMATIC Investment Chile S.A., Santiago (Chile)	100%	1,244,879	7,497,430	8,873,961
Novo Immobilien GmbH, Bingen/Rhein (Germany)	99.8%	3,000,000	5,390,293	1,459,563
AS Novoloto, Tallinn (Estonia)	100%	0	-1,794,828	-5,051,234
SIM Spielbanken Investitions- und Management GmbH, Frankfurt (Germany)	49%	12,581	62,896	-3,956
SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & Co. KG, Frankfurt (Germany)	49%	3,251,026	7,688,376	961,079
Pratergarage Errichtungs- und Betriebsgesellschaft mbH (Austria)	47.5%	475,000	973,091	-16,730

Statements concerning intra-Group relationships are omitted in accordance with section 241 para 3 of the Austrian Commercial Code.

#### V. Information on Financial Instruments

With regard to the issuance of a bond in October 2005, an interest rate swap with a nominal value of KEUR 150,000 and maturity date of October 11, 2012 was concluded in August 2005, in order to hedge this interest level for the entire term of the bond. The effective interest rate of the bond amounts to approximately 4 percent. The present value including interest amounts to minus KEUR 745 as of December 31, 2010.

On April 12, 2007 a further interest rate swap with a nominal value of KEUR 30,000 and maturity date April 16, 2014 was concluded. Its present value including interest amounts to minus KEUR 2,751 as of December 31, 2010.

In this interest of further hedging rate hedging, an interest rate swap with a nominal value of KEUR 30,000 and a maturity date of May 7, 2014 was concluded on May 6, 2009. Its present value including interest amounts to minus KEUR 1,339 as of December 31, 2010.

The market value corresponds to the amount payable or receivable in case of the cancellation of the contract at balance sheet date. Past cash flows (interest payments) are not taken into account. Future cash flows from variable payments as well as discount rates are determined in line with approved financial mathematical methods.

## **VI. Mandatory Information Concerning Management Bodies and Employees**

### **1.1. Average number of employees during the business year**

Number of employees: 30 (previous year: 24)

### **1.2. Members of the Executive Board and the Supervisory Board during the business year**

Executive Board:

- Dr. Franz Wohlfahrt, chairman
- Dipl. Ing. Ryszard Presch, deputy chairman
- Mag. Peter Stein, CFO
- Mag. Thomas J. Graf, CTO (since 12/16/2010)

Supervisory Board:

- KR Herbert Lugmayr, chairman
- Dr. Gernot Hain, deputy chairman
- Helmut Jell
- Mag. Karl Schlögl
- Mag. Thomas Graf, member (until 12/16/2010)
- Dr. Bernd Oswald
- Erich Kirchberger, deputy chairman (since 12/16/2010)

### **1.3. Other information**

During the 2010 business year, gross payments in the amount of EUR 1,043,453.88 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 business year amount to EUR 167,900.00.

Expenses for severance payments and pensions for the members of the two boards amounted to EUR 288,633.00 and EUR 358,967.00, respectively.

The item "expenses for severance payments and contributions to external severance payment funds" includes payments to external severance payment funds amounting to KEUR 40 (previous year: KEUR 30).



## VII. Special Information on Shareholding Companies

The capital stock of EUR 26,000,000.00 is split between the following bearer shares:

Number of shares	Nominal value per share (EUR)	Total amount (EUR)
18	1,000,000	18,000,000
68	100,000	6,800,000
120	10,000	1,200,000
Total		26,000,000

Gumpoldskirchen, April 20, 2011

NOVOMATIC AG



**DI Ryszard Presch m.p.**  
Deputy Chairman of the  
Executive Board



**Dr. Franz Wohlfahrt m.p.**  
Chairman of the  
Executive Board



**Mag. Thomas Graf m.p.**  
CTO



**Mag. Peter Stein m.p.**  
CFO

## A. Fixed assets

	Balance as of Jan 1, 2010	Additions	Costs		Balance as of Dec 31, 2010
			Reclassification	Disposals	
<b>I. Intangible assets</b>					
1. Concessions, industrial property rights and similar rights and values					
Rights	8,880,612.15	548,000.00	0.00	0.00	9,428,612.15
Technical software	41,374,786.30	13,123,427.28	0.00	0.00	54,498,213.58
Software	418,829.57	0.00	0.00	0.00	418,829.57
	<b>50,674,228.02</b>	<b>13,671,427.28</b>	<b>0.00</b>	<b>0.00</b>	<b>64,345,655.30</b>
<b>II. Tangible assets</b>					
1. Land, buildings and improvements to third-party buildings					
Land	8,015,930.40	2,472,510.00	0.00	0.00	10,488,440.40
Buildings – real estate value	34,150,335.42	1,772,466.48	0.00	84,260.76	35,838,541.14
Buildings – value of building	121,478,291.31	8,780,501.56	1,170,213.73	749,420.79	130,679,585.81
Structural investments in leased property	3,161,255.20	0.00	0.00	373,835.41	2,787,419.79
Buildings on non-owned land	23,778,829.21	0.00	0.00	0.00	23,778,829.21
	<b>190,584,641.54</b>	<b>13,025,478.04</b>	<b>1,170,213.73</b>	<b>1,207,516.96</b>	<b>203,572,816.35</b>
2. Plants and machinery					
Plant and equipment	206,347.05	6,583.33	0.00	0.00	212,930.38
Tools	21,353.26	0.00	0.00	0.00	21,353.26
	<b>227,700.31</b>	<b>6,583.33</b>	<b>0.00</b>	<b>0.00</b>	<b>234,283.64</b>
3. Factory and office equipment, vehicle fleet					
Factory and office equipment	4,619,632.35	498,839.58	0.00	86,735.79	5,031,736.14
Vehicle fleet	673,041.32	4,500.00	0.00	0.00	677,541.32
Low-value items	28,410.04	19,033.04	0.00	2,585.31	44,857.77
	<b>5,321,083.71</b>	<b>522,372.62</b>	<b>0.00</b>	<b>89,321.10</b>	<b>5,754,135.23</b>
4. Advance payments and tangible assets under construction					
Tangible assets under construction	1,080,803.14	1,916,335.86	-1,170,213.73	0.00	1,826,925.27
	<b>1,080,803.14</b>	<b>1,916,335.86</b>	<b>-1,170,213.73</b>	<b>0.00</b>	<b>1,826,925.27</b>
	<b>197,214,228.70</b>	<b>15,470,769.85</b>	<b>0.00</b>	<b>1,296,838.06</b>	<b>211,388,160.49</b>
<b>III. Financial assets</b>					
1. Shares in affiliated companies	225,798,485.84	49,240,860.51	0.00	4,185,325.88	270,854,020.47
2. Loans to affiliated companies	150,102,337.23	100,570,339.40	0.00	12,425,626.76	238,247,049.87
3. Investments	3,801,598.78	0.00	0.00	0.00	3,801,598.78
4. Securities	7,387,669.44	305,695.17	0.00	0.00	7,693,364.61
5. Other loans	5,661,116.85	308,220.54	0.00	290,999.00	5,678,338.39
	<b>392,751,208.14</b>	<b>150,425,115.62</b>	<b>0.00</b>	<b>16,901,951.64</b>	<b>526,274,372.12</b>
<b>Total</b>	<b>640,639,664.86</b>	<b>179,567,312.75</b>	<b>0.00</b>	<b>18,198,789.70</b>	<b>802,008,187.91</b>

Balance as of Jan 1, 2010	Amortisation/Depreciation					Book values		
	Additions	Reclassification	Disposals	Appreciation	Balance as of Dec 31, 2010	Balance as of Dec 31, 2009	Balance as of Dec 31, 2010	
3,941,875.42	792,285.33	0.00	0.00	0.00	4,734,160.75	4,938,736.73	4,694,451.40	
25,085,761.90	8,217,433.84	0.00	0.00	0.00	33,303,195.74	16,289,024.40	21,195,017.84	
418,829.57	0.00	0.00	0.00	0.00	418,829.57	0.00	0.00	
<b>29,446,466.89</b>	<b>9,009,719.17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>38,456,186.06</b>	<b>21,227,761.13</b>	<b>25,889,469.24</b>	
0.30	0.00	0.00	0.00	0.00	0.30	8,015,930.10	10,488,440.10	
550,481.26	584,214.07	0.00	0.32	0.00	1,134,695.01	33,599,854.16	34,703,846.13	
11,242,286.06	4,601,452.66	0.00	133,641.37	0.00	15,710,097.35	110,236,005.25	114,969,488.46	
2,708,226.86	88,621.98	0.00	350,450.29	0.00	2,446,398.55	453,028.34	341,021.24	
3,797,996.12	975,549.58	0.00	0.00	0.00	4,773,545.70	19,980,833.09	19,005,283.51	
<b>18,298,990.60</b>	<b>6,249,838.29</b>	<b>0.00</b>	<b>484,091.98</b>	<b>0.00</b>	<b>24,064,736.91</b>	<b>172,285,650.94</b>	<b>179,508,079.44</b>	
38,080.42	13,204.08	0.00	0.00	0.00	51,284.50	168,266.63	161,645.88	
21,353.26	0.00	0.00	0.00	0.00	21,353.26	0.00	0.00	
<b>59,433.68</b>	<b>13,204.08</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>72,637.76</b>	<b>168,266.63</b>	<b>161,645.88</b>	
2,702,481.75	481,939.34	0.00	86,369.53	0.00	3,098,051.56	1,917,150.60	1,933,684.58	
342,548.32	1,200.00	0.00	0.00	0.00	343,748.32	330,493.00	333,793.00	
9,398.69	9,158.48	0.00	2,585.31	0.00	15,971.86	19,011.35	28,885.91	
<b>3,054,428.76</b>	<b>492,297.82</b>	<b>0.00</b>	<b>88,954.84</b>	<b>0.00</b>	<b>3,457,771.74</b>	<b>2,266,654.95</b>	<b>2,296,363.49</b>	
0.00	0.00	0.00	0.00	0.00	0.00	1,080,803.14	1,826,925.27	
<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,080,803.14</b>	<b>1,826,925.27</b>	
<b>21,412,853.04</b>	<b>6,755,340.19</b>	<b>0.00</b>	<b>573,046.82</b>	<b>0.00</b>	<b>27,595,146.41</b>	<b>175,801,375.66</b>	<b>183,793,014.08</b>	
17,568,750.65	0.00	0.00	51,609.88	0.00	17,517,140.77	208,229,735.19	253,336,879.70	
1,800,000.00	65,313.62	0.00	0.00	0.00	1,865,313.62	148,302,337.23	236,381,736.25	
62,991.78	0.00	0.00	0.00	0.00	62,991.78	3,738,607.00	3,738,607.00	
2,101,831.89	21,833.29	0.00	0.00	844,697.31	1,278,967.87	5,285,837.55	6,414,396.74	
769,318.48	0.00	0.00	0.00	0.00	769,318.48	4,891,798.37	4,909,019.91	
<b>22,302,892.80</b>	<b>87,146.91</b>	<b>0.00</b>	<b>51,609.88</b>	<b>844,697.31</b>	<b>21,493,732.52</b>	<b>370,448,315.34</b>	<b>504,780,639.60</b>	
<b>73,162,212.73</b>	<b>15,852,206.27</b>	<b>0.00</b>	<b>624,656.70</b>	<b>844,697.31</b>	<b>87,545,064.99</b>	<b>567,477,452.13</b>	<b>714,463,122.92</b>	

## Development of Reserves

as of December 31, 2010

In EUR	Balance as of Jan 1, 2010	Consumption	Disposals	Allocation	Balance as of Dec 31, 2010
<b>Valuation reserve from special depreciation allowances</b>					
Valuation reserve according to § 12 of the Austrian Income Tax Law	135.054.71	0.00	5.755.40	0.00	129.299.31
Valuation reserve for low-value items according to § 13 of the Austrian Income Tax Law	19.011.35	0.00	9.158.48	19.033.04	28.885.91
<b>Total</b>	<b>154.066.06</b>	<b>0.00</b>	<b>14.913.88</b>	<b>19.033.04</b>	<b>158.185.22</b>

## Development of Accruals

as of December 31, 2010

In EUR	Balance as of Jan 1, 2010	Consumption	Dissolution	Allocation	Balance as of Dec 31, 2010
<b>1. Accruals for severance payments</b>					
Accruals for severance payments	1,123,171.00	0.00	0.00	356,170.00	1,479,341.00
<b>2. Accruals for pensions</b>					
Accruals for pensions	922,971.00	0.00	0.00	358,967.00	1,281,938.00
<b>3. Tax accruals</b>					
Accrual for corporate income tax	3,931,314.98	1,750.00	0.00	1,397,415.11	5,326,980.09
<b>4. Other accruals</b>					
Accrual for auditing and consulting fees	278,500.00	276,978.40	21.60	312,400.00	313,900.00
Accrual for unconsumed vacation	246,316.32	246,316.32	0.00	322,273.87	322,273.87
Accrual for jubilee payments	31,526.00	0.00	0.00	21,440.00	52,966.00
Other accruals	3,110,171.82	58,808.00	3,051,363.82	3,827,651.15	3,827,651.15
	<b>3,666,514.14</b>	<b>582,102.72</b>	<b>3,051,385.42</b>	<b>4,483,765.02</b>	<b>4,516,791.02</b>
<b>Total accruals</b>	<b>9,643,971.12</b>	<b>583,852.72</b>	<b>3,051,385.42</b>	<b>6,596,317.13</b>	<b>12,605,050.11</b>

# Auditor's Report

## Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of Novomatic AG, Gumpoldskirchen, for the fiscal year from January 1, 2010 to December 31, 2010. These financial statements comprise the balance sheet as of December 31, 2010, the income statement for the fiscal year ended December 31, 2010, 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 so as to obtain reasonable assurance regarding 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 basis for our audit opinion.



## Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of Novomatic AG as of December 31, 2010 and of its financial performance for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with Austrian Generally Accepted Accounting Principles.

## Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to section 243a para 2 of the Austrian Commercial Code are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to section 243a para 2 of the Austrian Commercial Code are appropriate.

Vienna, April 20, 2011

Deloitte Audit Wirtschaftsprüfungs GmbH

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 of the Austrian Commercial Code applies to versions that differ.

**Dr. Michael Heller m.p.**  
Certified Public Accountant

**ppa. Mag. Eveline Schramm m.p.**  
Certified Public Accountant

# Report of the Supervisory Board of NOVOMATIC AG

for the fiscal year of 2010



In its meetings held during the course of the financial year 2010, the Supervisory Board was regularly informed by the Board of Directors on the business policy and dealt thoroughly with the course of the business and the position of the company. 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, 2010 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 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 use of the net profits from 2010. The annual financial statements drawn up by the Board of Directors were approved by the Supervisory Board and thus adopted in accordance with the Aktiengesetz (AktG – Austrian Stock Companies Act).

The Supervisory Board acknowledges and thanks the Board of Directors and all employees of NOVOMATIC AG's companies for their work in the financial year 2010.

Gumpoldskirchen, April 2011

The Supervisory Board

A handwritten signature in blue ink, appearing to read 'Lugmayr', written over a faint circular stamp.

**Herbert Lugmayr**  
Chairman

# Room for Notes



# Imprint

This English translation of the financial statements for the year ended on 31st December, 2010 was prepared for the company's convenience only. It is not a binding legal translation of the German financial statements for the year ended 31st December, 2010. In case of differences between the English and the German versions the latter shall prevail.

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