



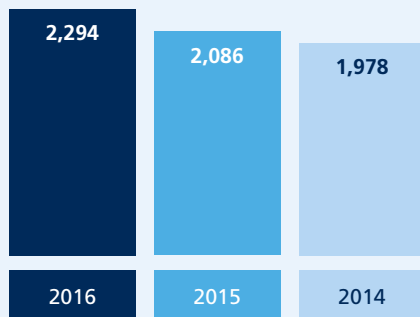
NOVOMATIC AG

Annual Report 2016

Overview of Key Figures

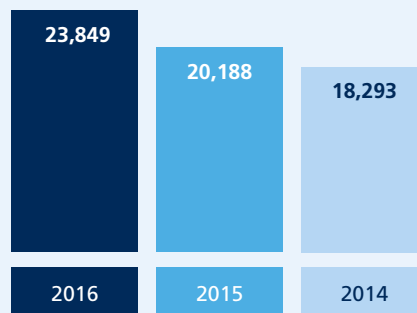
Sales Revenues

in Million Euro



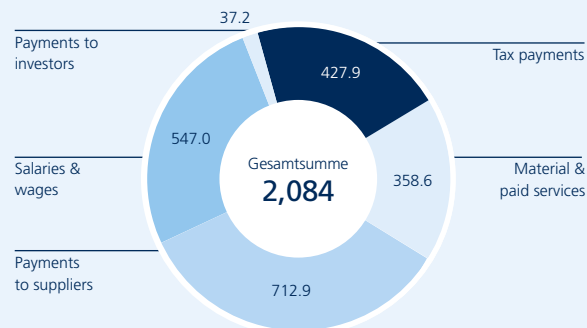
Employees

Employees at year end



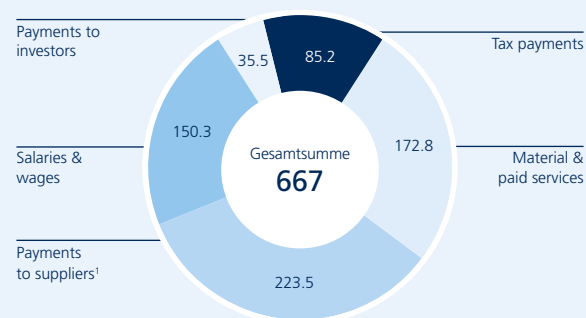
Cash flows worldwide 2015

in Million EUR



Cash flows Austria 2015

in Million EUR



¹ This item also includes other non-income-related taxes, fees and other duties (e.g. property taxes, vehicle taxes, rental contract fees, etc.).

Consolidated Profit & Loss Statement

in Million Euro	2016	2015	2014
Revenues	2,294.1	2,086.3	1,977.6
EBITDA	588.5	616.7	647.4
EBITDA margin (EBITDA/sales) in percent	25.7 %	29.6 %	32.7 %
Earnings before interest and taxes (EBIT)	264.1	315.4	363.3
EBIT margin (EBIT/sales) in percent	11.5 %	15.1 %	18.4 %
Earnings before taxes	229.4	308.5	368.4
Consolidated annual profit after taxes	154.4	212.7	276.9

Consolidated Balance Sheet

in Million Euro	2016	2015	2014
Balance Sheet Total	3,668.2	2,983.2	2,634.40
Equity	1,371.6	1,215.3	1,174.30
Equity ratio (equity capital/total assets) in percent	37.4 %	40.7 %	44.6 %

Source: Consolidated Financial Statement as of 12/31/2015 and 12/31/2016 as per IFRS

Organizational Chart

NOVOMATIC Group		
ACE Casino Holding AG (Switzerland, 100 %)	Novo Invest GmbH (Austria, 100 %)	Gryphon Invest AG (Switzerland, 100 %)
Casino Mendrisio (100 %) Casino Locarno (91 %) Casino Bad Ragaz (33.3 %)	NOVOMATIC AG Group	European Data Project s.r.o. (EDP) (Czech Republic, 100 %) production, casino and gaming facility operator
	NOVOMATIC AG (Austria, 89.96 % Novo Invest GmbH and 10.04 % Gryphon Invest AG) holding	
	NOVOMATIC Gaming Industries GmbH (Austria, 100 %) R&D, production, sales	ATSI S.A. Advanced Technology Systems International (Poland, 80.78 %) technology center
	ADMIRAL Casinos & Entertainment AG (Austria, 100 %) gaming facility operator	
	ADMIRAL Sportwetten GmbH (Austria, 100 %) sports betting provider	
	Casinos Austria AG (Austria, 17.19 %) casino operator	
	Österreichische Lotterien GmbH (Austria, 23.25 %) lottery operator	
	NOVOMATIC Lottery Solutions GmbH (Austria, 100 %) developer of gaming platforms, electronic lottery solutions and lottery terminals, production, sales	
	Greentube Internet Entertainment Solutions GmbH (Austria, 100 %) production, operation and distribution of online and mobile casino solutions as well as server-based terminal solutions	
	LÖWEN Entertainment GmbH (Germany, 100 %) R&D, production, sales	
	Crown Technologies GmbH (Germany, 100 %) R&D, production, sales	
	Extra Games Entertainment GmbH (Germany, 100 %) gaming facility operator	
	Spielbank Berlin Gustav Jaenecke GmbH & Co. KG (Germany, 59.5 %) casino operator	
	NOVOMATIC Italia S.p.A. (Italy, 100 %) sales	
	Allstar S.r.l. (Italy, 100 %) gaming facility operator	
	Astra Games Ltd. (United Kingdom, 100 %) R&D, production, sales	
	Bell-Fruit Group Ltd. (United Kingdom, 100 %) production	
	Gamestec Leisure Ltd. (United Kingdom, 100 %) sales	
	Luxury Leisure Ultd. (United Kingdom, 100 %) gaming facility operator	
	Playnation Ltd. (United Kingdom, 100 %) gaming facility operator	
	Talarius Ltd. (United Kingdom, 100 %) gaming facility operator	
	Aifor SIA (Latvia, 60 %) gaming facility operator	
	NOVOMATIC Netherlands B.V. (Netherlands, 100 %) R&D, production, sales	
	NOVOMATIC Gaming Spain S.A. (Spain, 100 %) production, sales	
	Admiral Operations Spain S.L. (Spain, 100 %) gaming facility operator	
	GiGames S.L. (Spain, 80 %) production, sales	
	NOVOMATIC Americas Holdings Inc. (USA, 100 %) sales	
		NOVOMATIC AG Group The NOVOMATIC AG Group is a part of the NOVOMATIC Group and includes the main subsidiaries listed here. In addition to this, the NOVOMATIC AG Group is active in England, Germany, Italy, Spain, Latin America and Africa, as well as other CEE and SEE countries through subsidiaries.

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

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NOVOMATIC



NOVOMATIC

AT A GLANCE

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NOVOMATIC Group Facts and Figures 2016

In its relatively short 36-year history, the NOVOMATIC Group with its 29,000 employees worldwide has become one of the top players in the gaming industry and the clear number one in Europe.





>€ 4.4 billion
Revenues



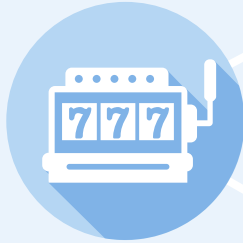
>4,000
Registered
IP trademark rights



~ 29,000
Employees
worldwide



49 %
Women
in workforce



260,000
Gaming terminals
in operation



13
Production facilities
in 10 countries



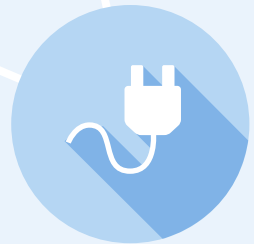
250
Individual parts
per gaming device

20

Technology centers
in 13 countries



98 %
Export rate



55 m
Cables per
gaming terminal



>3,500
Conducted
training days

NOVOMATIC Group Highlights 2016

NOVOMATIC looks back at the best financial year in its 36-year history. As a globally operating full-service provider with operations in all important gaming markets, the Group covers all segments of the gaming industry.



2 to 4 February

New record appearance at ICE Totally Gaming

NOVOMATIC was represented at ICE (International Casino Exhibition) Totally Gaming 2016 by a record number of 22 exhibiting Group companies. With a surface area of over 4,500 m², NOVOMATIC once again had the largest exhibition appearance in the history of gaming trade shows.



8 March

NOVOMATIC Lottery Solutions signs long-term partnership agreement with PROMOSPORT

NOVOMATIC Lottery Solutions, on behalf of the Tunisian Ministry of Youth and Sports, signed a 6-year contract with the Tunisian Toto betting operator PROMOSPORT. The subject of the agreement is the provision of a complete solution for the operation of Toto betting as well as continued maintenance and support services.



27 June

Minority shareholders approve NOVOMATIC's investment in Ainsworth

The starting gun went off for the acquisition of approximately 53 percent of the shares in Ainsworth Game Technology from Len Ainsworth by NOVOMATIC in February 2016, with the signing of a purchase agreement. This was followed in June by the agreement of the minority shareholders, required under company law. The regulatory approval required for the completion of the acquisition is expected to be granted in 2017.



1 April

New, joint headquarters for Greentube and NOVOMATIC Lottery Solutions

Greentube and NOVOMATIC Lottery Solutions move into their new headquarters in Vienna. The newly renovated building offers more than 10,000 m² for 500 employees from Greentube, Funstage and NOVOMATIC Lottery Solutions.



28 June

NOVOMATIC takes over the British gaming operator Talarium
The completion of this transaction represents the continuation of NOVOMATIC's expansion strategy. NOVOMATIC is now the largest gaming facility operator in the Adult Gaming Center segment in the UK.



22 August

3rd NOVO Safety Day

The focus of this day is an evacuation drill with more than 500 people, first aid training, environmental and fire protection, as well as self-defense.



15 September

Second health day for the first time in two locations

More than 250 participants of NOVOMATIC Gaming Industries GmbH in Gumpoldskirchen and ADMIRAL Casinos & Entertainment AG in Wiener Neudorf took advantage of more than 30 health-related activities.



23 September

Casino Admiral San Roque opens

After a year-long planning and renovation phase, the opening of Casino Admiral San Roque was celebrated together with NOVOMATIC brand ambassador Niki Lauda. The casino offers modern gaming fun over 4,650 m².



14 December

Green light for NOVOMATIC investment in Casinos Austria AG

NOVOMATIC announces the takeover of the shares of MTB Privatstiftung in Casinos Austria AG amounting to 17.2 percent.



28 November

Award for the NESTOR^{GOLD} certificate

NOVOMATIC and ADMIRAL were each awarded the NESTOR^{GOLD} certificate by Federal Minister Alois Stöger in a ceremony held at the Austrian Ministry of Social Affairs. NESTOR^{GOLD} is a strict externally audited certification process dealing with everything surrounding age(ing)-appropriate workplaces.



14 October

Casino FlamingO celebrates expansion

The expansion of Casino FlamingO in Macedonia was celebrated with a dazzling festival, with NOVOMATIC brand ambassador Niki Lauda as the guest of honor. The expansion crowned Casino FlamingO the largest casino in South-Eastern Europe.



10 October

7th NOVOMATIC Responsible Gaming Symposium

The subject was "Responsible Entertainment is not a contradiction" and was discussed with experts and numerous stakeholders at the Novomatic Forum.

NOVOMATIC Worldwide Activities





Growth of the NOVOMATIC Group

During the past ten years, the NOVOMATIC Group has increased the number of its employees across all continents more than seven times to 29,000.



2016

ACQUISITION

Electro System S.p.A., Italy
MG Gaming S.r.l., Italy
Casinos Austria AG, Austria
Lotaria Kombëtare, Albania
OTIUMGI S.L., Spain
Talarius Ltd., United Kingdom

**MARKET ENTRY**

Tunisia (lottery), France

INAUGURATION

Casino Admiral San Roque, Spain
 New Headquarters of **Greentube** and
NOVOMATIC Lottery Solutions in Vienna, Austria

BENCHMARK BOND

Eurobond with a total volume
 of EUR 500 million, Austria

BRAND REINFORCEMENT

Renaming of Austrian Gaming Industries GmbH
 into NOVOMATIC Gaming Industries GmbH

2015

ACQUISITIONS

BlueBat Games Inc., Canada
AbZorba LLC, USA
Casino Tornado, Lithuania, 5th casino
Österreichische Lotterien GmbH, Austria
Playnation Ltd., United Kingdom

MARKET ENTRY

Madrid (operations), Catalonia (lottery)

CORPORATE CREDIT RATING

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

PROMISSORY NOTE BONDS

with a volume of EUR 275 million, Austria

NIKI LAUDA

becomes NOVOMATIC brand ambassador

ANLEIHE

Corporate bond with
 a volume of EUR 200 million, Austria

INAUGURATION

Hotel Casino Flamingo, Macedonia

ESTABLISHMENT

of **NOVOMATIC Lottery Solutions GmbH**,
 Austria, Iceland

**ACQUISITIONS**

Luxury Leisure Ultd., United Kingdom, Scotland
GiGames S.L., Spain



Elam Group Electronic Amusement B.V.,
 Netherlands

MARKET ENTRY

Israel, Illinois, Costa Rica, Honduras, Guatemala

2014

BONDS

Corporate bond with a
 volume of EUR 250 million, Austria

MARKET ENTRY

Netherlands, Romania (with VLTs)
Eurocoin Gaming B.V., JVH exploitatie,
 Netherlands
Betware Holding hf., Iceland
 Development and sale of state-of-the-art
 online and mobile lottery solutions as well as
 gaming platforms

2013

ACQUISITION

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



2012

ACQUISITION

Spielbank Berlin, Germany

**ACQUISITION**

G. Matica, Italy

2011

BONDS

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

MARKET ENTRY

Italy

ONLINE MARKET ENTRY

via acquisition of the **Greentube Group**, Austria



2010

Foreword by the Founder and Majority Shareholder

Dear Ladies and Gentlemen,

In the 36th year since its establishment, NOVOMATIC again looks back at an extremely successful financial year. The NOVOMATIC AG Group recorded revenue growth of ten percent, thus achieving almost EUR 2.3 billion. Together with the two Swiss sister holding companies, ACE Casino Holding AG and Gryphon Invest AG, the NOVOMATIC Group was able to achieve record joint cumulative revenues of EUR 4.4 billion.

A particularly pleasing fact for me is that not only have we been able to generate excellent business results in all segments of the gaming industry, but the number of our employees has again risen significantly. At the end of the year, the NOVOMATIC AG Group had 23,849 employees – an increase of 18.1 percent. The number of employees in the entire NOVOMATIC Group increased to 29,000 during the year under review.

NOVOMATIC, therefore, continued its expansion in a very impressive way throughout the year. Our activities now stretch beyond our core markets across the whole of Europe – where we were again able to significantly expand our market position in large gaming markets such as Spain, Italy and the United Kingdom – and range from the USA, where we have already been granted licenses in 18 states, to South America, Africa, Asia and will, in future, also include Australia thanks to the pending closure of the acquisition of the majority stake in the gaming technology group Ainsworth.

At our global headquarters, in our home market of Austria, we added an important chapter to our continued and ongoing

success story, even against monopolies, with the acquisition of shares in Casinos Austria AG and Österreichische Lotterien GmbH. I firmly believe that everyone involved will benefit from this new partnership.

Today, NOVOMATIC is Europe's leading gaming technology group and one of the top players worldwide, covering all segments of our industry as a technologically pioneering full-service provider. The products and services on offer include gaming technology permanently driven by innovation – in addition to the successful online subsidiary Greentube, this now also includes our young but very successful lottery technology subsidiary NOVOMATIC Lottery Solutions GmbH, as well as attractive gaming and sports betting services, where we also put particular emphasis on first-rate service. The dynamism of NOVOMATIC is further evidenced by the fact that the number of fully consolidated companies in this annual report rose from 188 at the start of the year to 217 by the end of 2016.

Our corporate philosophy is in no small part responsible for this success – we never focus on short-term profit maximization but rather on a strategy that is both long-term and sustainable. I am convinced that we will continue to justify the confidence placed in us by our customers and partners in the future and continue our success story. The most important decisions in a company always relate to people, which means that the crucial foundation of our success is our employees – each and every individual of the now 29,000 members of the NOVOMATIC family.



Prof. Johann F. GRAF
Founder and majority shareholder





Dr. Christian Widhalm

Thomas Graf

Peter Stein

Harald Neumann

Ryszard Presch

Foreword by the Board of Directors

Dear Ladies and Gentlemen,

In 2016, the NOVOMATIC AG Group again recorded a significant increase in revenues, reaching the highest level in the company's history at EUR 2,294.1 million. This corresponds to growth of ten percent against the previous year, with a particularly pleasing development in the area of gaming machine proceeds during the year under review.

Aside from the robust financial figures, a clear strategic direction was taken in 2016 which is relevant to the further development of the Group of companies. This includes the approval of the minority shareholders to acquire approximately 53 percent of the shares in Ainsworth Game Technology Ltd. Thanks to the strong presence of Ainsworth in Australia, Asia, North and South America, NOVOMATIC will, in future, also intensify its work in these markets.

The NOVOMATIC Group also focused on Europe. The strategy here is to cement and build on the company's strong market position with forward-looking decisions. To this end, we sent a strong signal in the important British market with the acquisition of Talarius Ltd. by NOVOMATIC UK. We expanded our market position in Germany, Italy and Spain by acquiring numerous smaller companies. The increasing level of regulation being introduced by European governments is fostering a process of concentration in the market as the high player protection standards – and thus the associated technical investments – can only be met by experienced and responsibly-minded companies.

In Austria, the acquisition of shares in Casinos Austria AG and Österreichische Lotterien GmbH was the focus of attention, along with the associated antitrust decisions.

Clear signals were also sent at the financing level so as to be able to take advantage of growth opportunities. In September 2016, a benchmark bond was issued with a volume of EUR 500 million. NOVOMATIC's first benchmark bond is also the first benchmark bond of an Austrian company in 2016.

All of these activities are only possible, however, because we invest in our staff. We endeavor to create the best possible environment for our employees. By way of example, we launched a high-quality training program for potential casino managers and area managers for arcades. Long-term success is what is important to us, which is why we are taking the necessary action today to be able to further develop the company in the future together with motivated, high-performing and, above all, healthy teams.

After all, NOVOMATIC is committed to sustainable corporate development which, in addition to the economic aspects of our business activity, also considers employee and environmental protection issues, as well as the interests of our stakeholders. We are committed to the sustainability principles of the United Nations Global Compact (UNGC) and the global standard for sustainability reporting of the Global Reporting Initiative (GRI).



Harald Neumann
Chairman
Chief Executive Officer



Ryszard Presch
Deputy Chairman
Chief Operating Officer



Thomas Graf
Chief Technology
Officer



Peter Stein
Chief Financial
Officer



Dr. Christian Widhalm
Chief Investment
Officer

WELCOME TO THE NOVOMATIC 360° GAMING EXPERIENCE



- LAND BASE
- SPORTS B
- INTERACTI

SERIES

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NOVOMATIC

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The World of **NOVOMATIC**

As a full-service provider, NOVOMATIC is active in all segments of the gaming industry through its numerous international subsidiaries. Apart from continuous product innovation and diversification of its business areas, the future focus of the company also lies in expanding its global market position, particularly in the USA, Australia, Asia and South America.

Winning Technology – something our brand ambassador and three-time Formula 1 champion Niki Lauda is passionate about. After all, the core of our success as one of the leading global gaming technology companies is our innovative strength. Founded in 1980 by industrialist Prof. Johann F. Graf in Gumpoldskirchen, the NOVOMATIC Group, consisting of NOVOMATIC AG as well as its two Swiss sister holding companies ACE Casino Holding AG and Gryphon Invest AG, can look back upon an unparalleled success story.

36 years after its establishment, NOVOMATIC is not just a globally active Group of companies with around 29,000 employees and locations in 50 countries, but it is also Europe's largest gaming technology group. The Group exports innovative gaming equipment, system solutions, lottery system solutions and services to around 80 countries.

Through its numerous international subsidiaries, the NOVOMATIC Group operates as a full-service provider in all segments of the gaming industry. The spectrum ranges from casino equipment, systems and cash management solutions, to arcade and pub products, sports betting, lotteries, and online, mobile and social gaming offerings. Our dual strategy as a producer of high-tech gaming equipment and operator of more than 1,800 electronic casinos, regular casinos and sports betting facilities, is the foundation of our success.

The NOVOMATIC Group's unique competitive advantage comes from an extraordinary level of vertical integration of more than 90 percent. This integration is consistently leveraged via the Group's interlinked research and development technology centers around the globe. It also allows the entire Group of companies to realize considerable synergy potentials.



High levels of innovation continue to remain a central component of the Group's future prospects. Shortly after its founding, NOVOMATIC quickly established itself as a trendsetter in the world of gaming equipment, in particular through investments in research and development that go above and beyond the industry average. The 20 technology centers in 13 countries and 13 production locations in ten countries play a crucial role in the development of innovative technologies, system solutions and promising products for the online, mobile and social gaming segments.

NOVOMATIC's dual strategy provides the perfect opportunity to test new developments in Group casinos. Innovations are only brought to market once the technical nuances are refined and confirmed by player enthusiasm. Customers and business partners benefit from the unreserved commitment to top quality, perfect handling of the highest grade materials, and the precision work in the interest of the customer, which are the hallmarks of NOVOMATIC machines.

The manufacturing NOVOMATIC subsidiary NOVOMATIC Gaming Industries GmbH (NGI) also acts as a holding company for numerous national and international companies, as well as for investments in the gaming industry. NGI is also Europe's leading producer of gaming terminals, supplying one of the most comprehensive product ranges in the industry. Its international sales have elevated the company to one of the largest producers of gaming equipment in the world.

In the operational business segment, the NOVOMATIC Group raised the number of operated gaming terminals in the financial year 2016 to 260,000 units. This includes both gam-

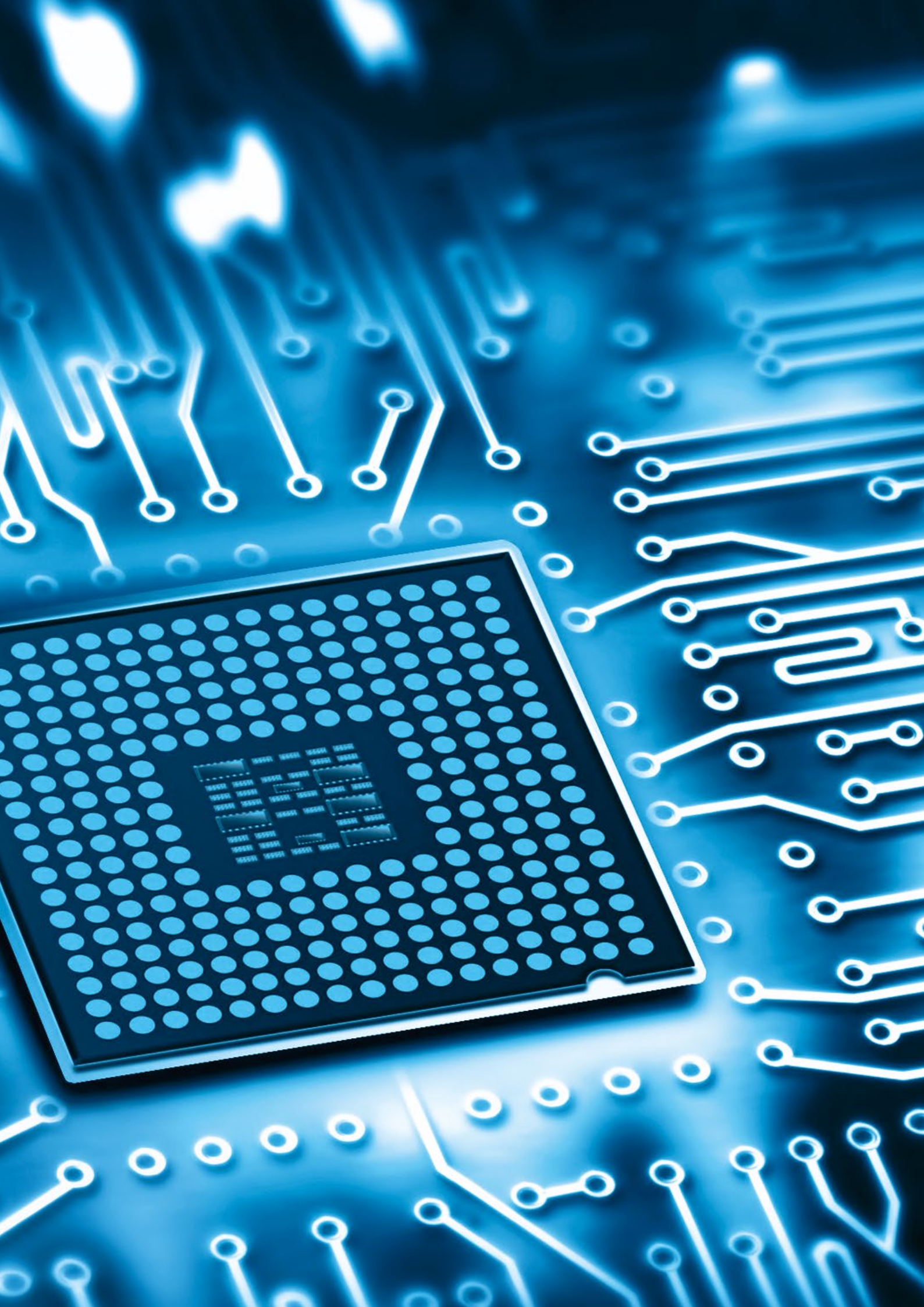
ing terminals run on the rental model, as well as the more than 1,800 gaming facilities belonging to the Group, which includes casinos, sports betting facilities and electronic casinos. NOVOMATIC is the market leader in Europe in terms of electronic casino operations. Moreover, NOVOMATIC commands a comprehensive international casino know-how and operates casinos, among others, in Germany, Czech Republic, Spain, Gibraltar, Macedonia, Lithuania and Switzerland. The casinos rank among the most lucrative casinos within their respective region.

Once again, NOVOMATIC was able to improve its position in the ranking of companies with the most valuable brands in Austria in the financial year 2016. Within the framework of a brand value study, "eurobrand Austria 2016", NOVOMATIC came in third, with a brand value of EUR 2.9 billion (+3 percent compared to the previous year). We are particularly excited to report that NOVOMATIC is the only company that has registered yearly increases in this ranking for more than ten years.

As a globally operating full-service provider, NOVOMATIC pursues a strategy of covering all segments of the gaming industry. Apart from continuous product innovation, the future focus of the company lies on an even stronger diversification of its business areas. Nevertheless, the gaming technology group will continue to focus on continuous, controlled and sustainable growth. NOVOMATIC's fundamental policy remains as the Group only offers its products and gaming facilities in regulated markets and market segments with clear regulatory and legal frameworks.

The Group's core markets are, in addition to Central, Eastern and South-Eastern Europe, in which NOVOMATIC maintains a fantastic position due to an early market entry, the countries of Germany, Spain, Italy, the United Kingdom as well as the Netherlands. NOVOMATIC will continue to evaluate growth potential in order to maintain and increase market leadership in these countries.

In the future, the technology group will focus on expanding its market position, particularly in the US, Australia, Asia and South America. The planned acquisition of a majority stake in the Australian company Ainsworth Game Technology Ltd. offers an important lever for the development of these markets. NOVOMATIC and Ainsworth have been working together to complete this merger since receiving the approval of the minority shareholders in June 2016. Both companies are currently in the process of obtaining the approval from various gaming authorities required for the completion of the acquisition.



Research & Development

NOVOMATIC uses its innovative power to set industry trends and develop high-tech gaming equipment. Industrial design is one of the most important aspects of the process.

Thanks to 20 technology centers in 13 countries, the NOVOMATIC Group is a pioneer in the development of innovative products and systems solutions in the area of gaming. The Group's development activities focus both on "Distributed Gaming Solutions" as well as gaming content and application software. The developed software system solutions include management information systems, ticketing and smartcard systems, access systems, video lottery systems, biometric player recognition, links to government regulators, player protection programs, "gaming as a service", online and mobile gaming system solutions, jackpot systems, multi-player and community gaming systems, as well as the newly developed tournament 'World Championship of Slots'. Both modular software architecture and interoperability of the various developments are crucially important.

Open platform architecture and development teams specializing in individual market segments guarantee that our development activities are suitable for both homogeneous markets and market niches with a high degree of specialization. The open platform infrastructure allows for an integration of third-party providers and their gaming applications in order to satisfy market needs in a better and faster manner.

NOVOMATIC sets industry trends when developing the latest generation of cabinets and models. Industrial design is one of the most important aspects of the process. Innovations in terms of hardware include new and ergonomic cabinet designs for casino, video lottery and Amusement with Prizes (AWP) gaming markets with control possible via up to five monitors, skill-based roulette facilities with state-of-the-art ball release mechanisms, the new GAMINATOR® Scorpion cabinet and V.I.P. terminals with giant screen technology and dynamic lighting effects via LED technology. In terms of data security, increasing emphasis is being placed on physical random number generators that use quantum mechanics.

The industry trend of merging well-known pop-culture subjects such as TV shows and blockbusters with gaming continued throughout 2016. NOVOMATIC also has a stake in the field of branded games and has licenses for Christopher Nolan's Batman trilogy and the Sherlock Holmes films by Guy Ritchie. More branded games will be published in 2017, a license for the cult TV series MacGyver could be acquired as the most recent brand.

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

Protecting intellectual property in the area of research and development is extremely important. At the end of 2016, NOVOMATIC had more than 4,000 registered IP trademark rights. More than 100 registrations are added each year. The Group is constantly developing new products and product variations, resulting in the creation of over 300 new gaming variants per year. With the help of a software development kit (SDK), it is possible to add games developed by third-parties to the portfolio immediately. 20 companies around the globe are now working with this SDK, providing additional enrichment to NOVOMATIC's gaming portfolio.



Gaming Machines

From 'Very Important Player' experiences to space saving design – our new developments in the areas of cabinet variations and models are even better adapted to individual customer needs.

NOVOMATIC's wholly owned subsidiary, NOVOMATIC Gaming Industries GmbH (NGI), is the central Group unit active in the research and development, manufacture and international distribution of gaming technologies. NGI and its subsidiaries offer one of the most comprehensive product portfolios in the industry, covering all segments. The duality of the business activities, as an operator and producer of gaming technologies, provides the Group with a unique opportunity to test and optimize new developments in

company-owned gaming facilities, in a variety of markets and market segments. The continual exchange of know-how and experience from different business segments, feedback from the operative areas put directly into practice during product development, as well as ongoing evaluations within the development process itself, guarantee that all our products are of the highest quality and ready for market before they are offered to international customers.



NOVOMATIC always presents its most important innovations for the new financial year in February at the largest and most important international specialty trade show, the International Casino Exhibition (ICE) in London. In 2016, the Group had the largest stand at the trade show with an area of 4,500m² and once again presented an exciting and comprehensive product portfolio to the industry audience. The portfolio showcased technologies and solutions in the segments of casino, AWP/LPM (amusement with prizes/limited payout machines), management systems and cash management, online, mobile and social gaming offered by Greentube and its subsidiaries of NOVOMATIC Interactive, as well as B2B solutions for sports betting, and the latest lottery products introduced by NOVOMATIC AG's subsidiary NOVOMATIC Lottery Solutions GmbH (NLS).

A series of new V.I.P. cabinets were introduced at ICE 2016, a highlight of the gaming machines segment. This cabinet series was developed specifically for discerning casino operators, to allow for a V.I.P. experience on their gaming floors – a special ambiance with a hint of luxury. The success began when we expanded the NOVOSTAR® SL to include a

50" Full HD LED monitor with FLIPSCREEN® function, as well as a comfortable Crown V.I.P. chair – the result was the NOVOSTAR® V.I.P. II. After the fantastic success of the initial devices in this cabinet series, we introduced three additional V.I.P. cabinets at the trade fair in London – NOVOSTAR® V.I.P. III, NOVOSTAR® V.I.P. Royal and V.I.P. Lounge™ – all with innovative features that guarantee guests an amazing gaming experience.

We also introduced the GAMINATOR® Scorpion cabinet. A successor to the legendary best-seller, the GAMINATOR®, this machine builds on tried and tested features and provides a first-class cabinet design for the modern casino floor. Two 23.8" Full HD LED monitors as well as an independent 23.8" Full HD LED topper, combined with elegant LED effects synchronized to the games, create an amazing framework for top entertainment with leading NOVOMATIC games.

NOVOMATIC also presented a new cabinet for the electronic live-games segment at ICE 2016, the EXECUTIVE SL™. This new multiplayer machine has a particularly space saving design while providing maximum executive comfort, and allows the operator to make optimal use of their available space, not the least because it can also create a new electronic live gaming area with linked groups of machines and digital display solutions.

In September, NOVOMATIC announced the acquisition of a majority stake in the Spanish video bingo provider OTIUMGI S.L. The company has its headquarters in Barcelona and is already well established in the Mexican and Filipino bingo markets. As a new member of the Austrian gaming technology Group, the company is now looking at the further development of its international portfolio and conquering new markets. The new video bingo devices also represent an additional diversification of the NOVOMATIC product portfolio. At the G2E gaming trade show in Las Vegas, the OTIUM Bingo machines were presented to the world for the first time at the NOVOMATIC stand and were the subject of excellent feedback.

We also presented the "World Championship of Slots™" (WCOS) at G2E in Las Vegas. This exciting new concept for the American market is the result of cooperation between NOVOMATIC Americas and the Emmy award winning producer and director Gary Hunt. The live-slot tournament was presented at the G2E with a selection of compatible games. Presenters at the trade fair generated much enthusiasm with daily live competitions and prizes.

Omni-Channel Gaming Entertainment

The trend-setting Omni-channel strategy enables a seamless gaming experience comprising online, mobile and land-based gaming.

The digital interactive segment is one of the fastest growing sectors in the gaming industry. Technological innovations and developments are constantly presented, using ever more powerful mobile devices to offer the consumer new possibilities. But this also presents providers with new development challenges. As the interactive unit of the NOVOMATIC Group, Greentube Internet Entertainment Solutions GmbH takes on all these challenges and works tirelessly to further develop successful solutions.

Greentube is the leading provider in the area of interactive gaming solutions and the leading provider of social casino gaming in Europe. Its broad product portfolio includes casino slots, table games, bingo, live dealer gaming, AWP slots, server-based gaming and social casino solutions.

Greentube is continuously expanding and strengthening its portfolio with new developments from its numerous subsidiaries. These subsidiaries include Funstage, Cervo Media, Platogo, BlueBat Games, StakeLogic, Greentube Malta, Greentube Slovakia, Greentube Alderney, Greentube Gibraltar and AbZorba Games. These manifold resources keep Greentube anchored in its position as market leader.

Mazooma Interactive Games, Eurocoin Interactive, Slot Studios, DWG, Extreme Live Gaming, Octavian, and many other partner companies in the development area, guarantee high-quality gaming experiences on all devices.

Greentube always has its finger on the pulse of regulatory requirements, holding licenses in Malta, Alderney and Gibraltar, as well as local licenses in the United Kingdom, Spain, Italy, Belgium and Latvia. In addition, the company is working on the market entry in a variety of European countries that will be regulated in the future.

In keeping with the latest advances, HTML5 is the technological framework within which gaming solutions are prepared

for all platforms and devices. In this context, Greentube offers a continually growing portfolio of HTML5 games for desktop and mobile devices.

As a globally operating company, Greentube provides solutions in the business area of "real-money gaming" in the B2B and B2C markets. Real-money operators in the B2B area include, for example, Bet365, Unibet, Betsson, Sky Vegas and the Rank Group.

In addition, the company owns some of the real-money providers in the B2C market including StarVegas, which is focused on the Italian and Spanish markets, and Bell Fruit Casino, which is focused on the British market.

Foxwoods Resort, among others, is one of the most successfully operating B2B partners in the area of social casino gaming. The solutions from Greentube Pro, currently largely operating in the US market, give terrestrial casinos the option to offer customers a digital gaming experience. Use as a marketing platform allows, at the same time, for testing of new games and analysis of customer preferences. This type of player interaction represents the essential feature that sets Greentube Pro apart from a multitude of solutions offered by the competition. The online player is fully immersed in the casino's brand and interacts with "his" or "her" casino on a virtual basis. Casinos that have decided to work with Greentube Pro can also access the entirety of Greentube's game portfolio, as well as that from all NOVOMATIC subsidiaries. A series of unique cross-promotion tools, such as the use of special voucher logic, which allows for customer activation both in digital and terrestrial areas, is part of the exclusive competitive advantage provided by the service.

The best-known brands in B2C social gaming are "GameTwist", "Slotpark", as well as apps from the subsidiary company AbZorba such as "Live Blackjack21" and "Live Roulette". Additional successful independent brands in this business area are "Pharaoh's Way" and "Pharaoh's Fire".



Greentube's Omni-channel solution combines online, mobile and land-based gaming across all business areas, and provides customers with a comprehensive and continuous gaming portfolio. To do so, all games are provided using a

"single wallet" solution across all possible channels; casino and VLT markets can be served by the server-based Plurius™ system. Thus, the innovative Plurius™ system completes Greentube's Omni-channel strategy.



Operations

With the acquisition of Talarius, NOVOMATIC is now the largest gaming facility operator in the segment of so-called "adult gaming centers" (AGCs) in the UK.

The NOVOMATIC Group operates more than 1,800 gaming facilities around the world: electronic casinos, casinos with live gaming operations and sports betting facilities. They all stand not only for the finest entertainment and service at the highest level but also for innovative products and system solutions.

In Europe, NOVOMATIC operates the latest in electronic casinos via various subsidiaries. In Austria, ADMIRAL Casinos & Entertainment AG (ACE) is responsible for operating 152 electronic casinos (as of February 2017) in Lower Austria, Upper Austria, Carinthia, Burgenland and Styria. Towards the

end of the financial year 2015, the company received a license under the Austrian Gaming Act in Styria. The facility roll-out completed in April 2016. ACE is represented in Styria at 24 locations with 337 gaming machines and in total operates more than 2,000 gaming machines throughout Austria. All of these terminals have been successfully connected to the Federal Data Processing Center via a permanent, real-time link.

At the end of 2016, NOVOMATIC was able to register another success in the domestic market. With the resolution of the Annual General Meeting of Casinos Austria AG (CASAG), according to which the conditions precedent for the acquisition



of the shares of MTB private foundation in CASAG to the amount of 17.2 percent have been met, the way has been paved for an effective takeover of the shares. The entry of NOVOMATIC as a new Austrian shareholder in CASAG is an important step for the stable and sustainable core shareholder structure of the Casinos Austria Group.

In Germany, which is a core market for NOVOMATIC, gaming operators were able to expand their already strong market position. The three companies active in commercial gaming, Extra Games Entertainment GmbH, BPA Freizeit- und Unterhaltungsbetriebe GmbH, and Admiral Play GmbH registered a positive profit development despite a difficult market environment caused by legal regulations. NOVOMATIC also operates a total of seven casinos in Germany, including Spielbank Berlin. At the end of 2016, Spielbank Berlin, founded in 1975 and Germany's most profitable casino, once again received a casino concession for an additional 15 years, commencing January 1, 2018. The casino, steeped in tradition, welcomes more than 600,000 guests a year both at Potsdamer Platz as well as four additional branches. Spielbank

Kassel also received a legally valid notice to obtain a casino permit to operate a casino in Kassel with a gaming branch in Bad Wildungen for the duration of 10 years with the option of a 5-year extension.

With the acquisition of the British gaming operator Talarius Ltd., NOVOMATIC is now the largest gaming facility operator in the segment of so-called "adult gaming centers" (AGC) in the UK. Talarius operates 162 gaming facilities across the UK with a total of 7,500 gaming machines and employs just under 1,000 employees. Due to the acquisition, NOVOMATIC UK now employs a total of approximately 3,800 employees in the UK, where gaming is a well-loved traditional recreational activity. These employees work for Playnation, Luxury Leisure, Gamestec Leisure, Bell-Fruit Group, Mazooma Interactive and Extreme Live Gaming.

In Italy, Europe's largest gaming market, the number of electronic casino locations once again increased during the past financial year through the strategic acquisition of smaller gaming facility operators. This led to a rise in the number of electronic casinos operated by NOVOMATIC from 138 (1/31/2015) to 168 (1/31/2016) locations in 2016.

Not only that, in 2016 we were once again able to increase casino competence within the NOVOMATIC Group. Casino Admiral San Roque opened in July in the south of Spain. With a total surface area of 5,600m², the casino offers 125 innovative gaming machines, eight live gaming tables, a modern Bingo hall for 315 guests, the ADMIRAL Arena, which is a multi-purpose event hall for up to 300 people, and several restaurants. In addition, the NOVOMATIC Group acquired Gran Casino Aljarafe in Seville, which will open in 2017 after extensive renovation work, and offer guests a holistic experience including gastronomy, entertainment and gaming.

We also expanded Casino FlaminGO in Macedonia, which was acquired in 2013 and opened in 2014. The expansion raised the number of gaming machines from the original 470 to a total of 1,001. The casino area includes 26 gaming tables for live games. In addition, the casino offers gastronomy as well as a hotel with spa area. Casino FlaminGO is now the largest casino in South East Europe, with 570 employees.

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



Sports Betting

NOVOMATIC operates its own betting facilities internationally across a variety of markets using sports betting offers tailored to the relevant market, as well as sports betting areas in casinos. The company also provides innovative Omni-channel sports betting solutions to B2B customers.

NOVOMATIC Sports Betting Solutions (NSBS) has been coordinating all international sports betting activities for the NOVOMATIC Group since 2015. The company, NOVOMATIC SPORTS BETTING SOLUTIONS GmbH, will be founded in the 1st quarter of 2017. Omni-channel solutions for sports betting providers will be offered to the international market from a single source. The solutions include management of an unlimited number of Self-Service Betting Terminals and checkouts in the terrestrial segment, as well as secure online and mobile sports betting solutions via responsive web design and platform independent applications.

Operators profit from scalable solutions, which make their mark through excellent ease of use, and are adjusted to specific markets and individual customer requirements. In addition, NSBS delivers a powerful module for comprehensive sports betting offered in various currencies and languages with an excellent reporting system, which can be easily and quickly integrated into all common payment systems.

NSBS supports providers with product-specific expertise and first-class consultations for a variety of sports betting requirements. From market observation and analysis to selection and configuration of suitable hardware and software systems, and including operational training and professional 24/7 customer service as well as support for all marketing activities: NSBS is a strong partner for operators.

NOVOMATIC is active in several markets with a variety of brands and sports betting offers matched to the market in question, both as an operator of independent betting facilities and, where allowed, sports betting areas in casinos. These markets include, among others, Austria, Germany, the Czech Republic, Italy, Gibraltar, Romania and Serbia.

ADMIRAL Sportwetten is the market leader in Austria and offers comprehensive betting services. In addition to around 1,400 Self-Service Betting Terminals, as well as 270 tills in over 250 facilities in Austria and Germany, they also, of course, are accessible via online and mobile portals.

True to its corporate philosophy of “building trust through bookmaking competency, payment security and respectability”, ADMIRAL has been a competent provider of sports betting services for 25 years. Soon after opening, ADMIRAL Sportwetten managed to rapidly conquer a share of more than 50 percent in its domestic market, thereby becoming the clear number one within the Austrian sports betting facilities business. The betting specialist has a unique quality concept: innovative betting services, the latest in technology, and an inviting café-style atmosphere.

Since 2014, ADMIRAL Sportwetten has also offered betting services in Germany. In 2016, the facility network was expanded to include ten locations, and expansion of the sports betting services in the German market will remain a focus in 2017.

NSBS has also outlined an international expansion strategy for 2017. In keeping with this strategy, the innovative betting systems are constantly being updated, so as to adapt them flexibly to the individual regional requirements and make the betting experience as attractive as possible for customers.

Lottery

NOVOMATIC continues the progressive expansion of its presence in the classic lottery segment. In 2016, NOVOMATIC Lottery Solutions again signed significant partnership agreements with important strategic partners.

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

A logical consequence of this development is continued expansion in the classic lottery segment. With the establishment of the subsidiary NOVOMATIC Lottery Solutions GmbH (NLS) in mid-2014, the NOVOMATIC Group has grouped its lottery competences in one place. Thanks to the combined resources, experience and know-how of NOVOMATIC and Betware, NLS can offer any lottery operator an innovative 360-degree solution across all sales channels, including online and mobile solutions. With its innovative "bring your own terminal" solution, NLS clearly stands apart from its competition. The objective of this strategy is to minimize the investment expense for lotteries, in particular regarding hardware.

In the last two years, NLS has become a member and Premium Partner in all of the world's most important lottery associations: the World Lottery Association (WLA), the European Lotteries (EL), the North American Association of State and Provincial Lotteries (NASPL), the Corporación Iberoamericana De Loterías Y Apuestas De Estado (CIBELAE), the African Lottery Association (ALA), and the Asia Pacific Lottery Association (APLA).

In 2016, NOVOMATIC Lottery Solutions (NLS) made a stand-out impression at three of the most important specialty trade shows around the world: from G2E in Las Vegas and the National Association of State and Provincial Lotteries (NASPL) Conference in Atlanta, in the US, to the World Lottery Summit (WLS) in Singapore. During the same period, several important product innovations were introduced to the market: the NLS Instant Ticket Vending Machine (ITVM), the in-lane solution POS Embedded, and a new scented scratch ticket (Scratch'n'Sniff) developed for the lottery in Catalonia and introduced to the market in 2016.

Also in 2016, NLS signed significant partnership agreements with important strategic partners. These strategic partnerships round out the NLS "Best of Breed" offerings. For example, a Memorandum of Understanding (MoU) was finalized with Gamevy Ltd. to offer new instant-win games by connecting the market-leading NLS lottery platform with Gamevy's unique content.

In addition, in mid-2016, NLS signed a Memorandum of Understanding with the Kambi Group plc. to offer a powerful full-service gaming solution for government-regulated lotteries. Co-branded and marketed as "NLS Sports Betting – Powered by Kambi", this clever sports betting application is a direct response to the increased demand for a superior and consistent user experience across all sales channels – online, mobile and retail.

NLS regularly receives excellent feedback from all areas of the lottery community. The company has embodied sophistication, excellence, transparency and innovation at every turn. Right from the very beginning, NLS challenged the industry to act according to the motto "Expect Better". Ultimately, this has resulted in continuous success with the signing of long-term contracts with renowned partners.



Regulatory Environment

NOVOMATIC advocates social responsibility and strict statutory regulations with regards to gaming at both the domestic and the international level. NOVOMATIC, therefore, provides its products and services only in regulated markets with clear legal frameworks. After all, legal certainty is a core fundamental principle of commercial activity for the entire NOVOMATIC Group.

Gaming is marked by a very dynamic regulatory environment. Continual changes to the law, in particular in the areas of money laundering prevention and the protection of players and minors, are challenges that regularly have to be faced by gaming providers. Within the single European market, gaming remains the only market segment for which the regulations have still not been harmonized among the member states. NOVOMATIC, therefore, works towards the harmonization of gaming in Europe, to create improved and unified framework conditions for market participants.

Basic requirements for NOVOMATIC business activities include clear legal framework conditions, a transparent concession process, the implementation of player protection measures in accordance with scientific and adequate market standards, and measures aimed at combating crime and preventing money laundering. This has always been the highest priority for NOVOMATIC and has proven to be of great value in ensuring continued and stable growth. Excessive regulation that does not conform to the market, or unsuitable taxation, as can currently be found partly in Austria in the area of sports betting (betting terminals and live betting) as well as gradual increases in taxation, such as in Italy, can have unintentional negative effects. Experience shows that excessive regulation, inappropriate taxation or bans simply encourage illegal operations, which do not protect players or minors.

New international and national tenders in different gaming segments continuously offer new market opportunities to NOVOMATIC. It is important for regulated gaming operators that the responsible authorities carry out legally valid and swift tenders for gaming services, to ensure legal certainty for applicants. For example, in Austria concessions granted to ADMIRAL Casinos & Entertainment AG (ACE), allowing the operation of casinos and state-licensed gaming in Lower Austria and Bur-

genland, were revoked by the Federal Administrative Court. ACE then received again a state license with the same scope in Lower Austria. However, the competitors concerned took further legal action, which may result in an inappropriately long lawsuit that lasts several years and thus provides legal uncertainty. It is therefore necessary, for legal certainty as well as for the protection of players and minors, that a quick, legally binding conclusion for the licensing process is reached. Moreover, there is still no decision from the Austrian Federal Ministry of Finance as to whether and what extent the three revoked and legally available casino concessions will be tendered.

In Germany, the highly criticized First State Treaty amending the State Treaty regarding Gaming in Germany (Glücksspieländerungsstaatsvertrag, GlüÄndStV) came into effect on July 1, 2012. The law deals primarily with the establishment of distance regulations between gaming facilities and youth facilities. It also contains a ban on multiple concessions and therefore limits one location to a maximum of twelve gaming devices. A (basic) transition period of five years was granted to implement the new, restrictive regulations, and thus the conditions must be met as of July 1, 2017. It can be expected that the current legal environment will further influence the cautious and subdued attitude towards investment in the German gaming industry in the future. Moreover, there is a risk that players will move into unregulated markets and/or take advantage of illegal offers. Therefore, NOVOMATIC believes there will be a significant market reduction in the segment for gaming arcades in Germany from July 1, 2017. While higher machine utilization may have a certain compensatory effect, if gaming arcades need to be downsized or closed, this will have a negative impact on revenues from the rental of gaming devices. The European Commission is currently reviewing a further amendment focusing on clarifying regulation for the sports betting segment.



NOVOMATIC is continuing to expand in the USA and is, therefore, dealing with the strictest regulatory framework conditions and highest standards of the local gaming authorities. NOVOMATIC has been licensed in numerous US States for many years, such as Illinois and Iowa, and is currently working on additional licenses. NOVOMATIC has been successfully licensed in Australia and Canada, in particular through the Ainsworth Game Technology Ltd. transaction, which is not yet complete. In 2016, NOVOMATIC received two additional licenses for the manufacture and operation of gaming equipment and shares in casinos in Queensland (Australia) and Ontario (Canada). In doing so, NOVOMATIC carried out important steps for the consistent expansion of its international growth strategy.

Due to its market leadership in various countries, antitrust law is another relevant regulatory area for NOVOMATIC. In Austria, the decision of the Supreme Court prevented the majority takeover of Casinos Austria AG and Österreichische Lotterien GmbH. In the UK, however, reservations regarding competition law in connection with the acquisition of Talarius Ltd. were solved by mutual agreement with the competition authorities. NOVOMATIC is thus the largest gaming facility operator in the "Adult Gaming Centers" (AGCs) segment in the UK.





NOVOMATIC

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Appendix: UN Global Compact COP/GRI Index

Corporate Responsibility in our Core Business

Player protection, a safe and healthy working environment, ecological efficiency in production and long-term partnerships with our stakeholders, are the driving forces behind our value creation and market positioning, and therefore an essential part of who we are.

How we Understand and Embody Corporate Responsibility

At NOVOMATIC, we think that corporate responsibility and sustainable development are more than just buzz words. Our goal is to meet the expectations and requirements of our stakeholders as best we can. To do so, in addition to our economic performance, we want to develop our ecological and social footprint in a sustainable and positive manner.


The expression “two sides of the same coin” is a good description of this strategic approach. Wherever there are company activities, such as production and services, it is inevitable that they will have an effect on the environment, our employees and society. This influence may have a positive, or a negative effect on economic value creation and profits.

Confusing Terms explained

Corporate Responsibility (CR) means taking on responsibility for the expectations and requirements of both our direct stakeholders and the company. This includes, for example, player protection, environment and resource conservation, and healthy and safe working conditions. The focus is on tangible added-value for the company and stakeholders.

Sustainability is a term used to describe the holistic and long-term creation of economic, ecological and social values. These are often described as the three pillars of sustainable development. Creating shared value forms the core of this strategy.

Corporate Social Responsibility (CSR) is already a slightly outdated approach to corporate responsibility and sustainability. “Social” can be misunderstood as not meaning society as a whole, but rather “good deeds”. Thus responsibility is often incorrectly related only to donations and sponsoring activities.

The more the company views its activities from a long-term and holistic perspective, the clearer it is that over time, a negative balance in regards to the environment and occupational safety, product responsibility, human rights, or corruption prevention will also have a negative effect on economic success. Obeying the law merely mitigates the most obvious negative aspects, and the requirements in this respect differ from country to country. Real added value, for example by lowering costs and strengthening our market position, can only be achieved if the law is understood as a minimum standard.  G4.56

The Measurable Value of Corporate Responsibility

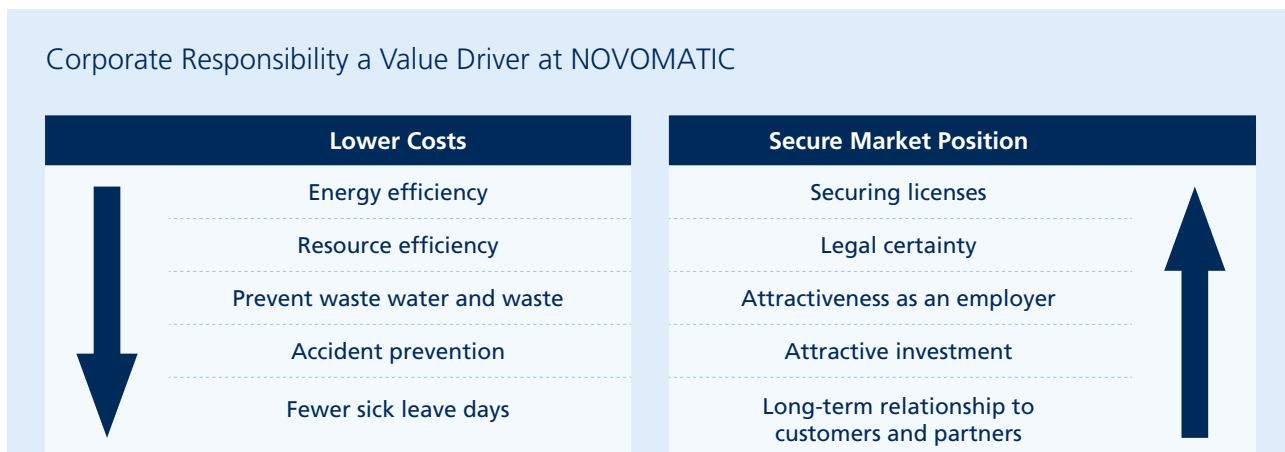
The added value of Corporate Responsibility (CR) is not fundamentally a moral issue, but in fact, can be measured directly. This can take place, for example, by gaining and securing licenses, attaining legal certainty, lowering costs through efficient use of resources or prevention of accidents and illness, as well as recruiting the best talents on the market and creating long-term relationships with our customers and partners. The fact that environment, social and governance (ESG) criteria are quickly spreading as criteria for investors and customers, is a reflection of these shared values.

Aspects of Sustainability in Investments are becoming Mainstream

Examples for the relevance of ESG criteria to investors are:

- **Carbon Disclosure Project (CDP)**: 827 investors invested around EUR 90 trillion in companies with low CO₂ emissions.
- **Principles for Responsible Investment (PRI)**: 1,500 signatories invested EUR 55 trillion based on ESG criteria.
- **Global Reporting Initiative (GRI)**: More than 80 percent of the largest publicly traded companies published sustainability reports in 2016, the large majority were written in accordance with international GRI standards.

Corporate Responsibility a Value Driver at NOVOMATIC



The three pillar sustainability model has already been accepted by investors as an additional assessment criterion. Attention to environment, social and governance (ESG) risks and opportunities has sharpened due to numerous corporate scandals, such as the BP Deepwater Horizon catastrophe, working conditions at Amazon and the VW emissions scandal.

CR Fields of Action

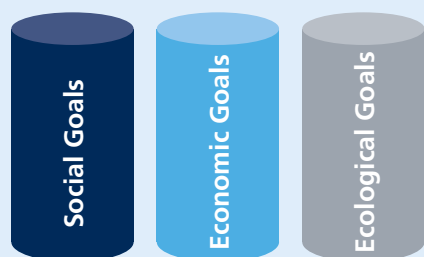
NOVOMATIC has had strategic Corporate Responsibility (CR) Management in place for years. The strategy deals with corporate requirements as well as strategic risks and opportunities in regards to economic, social and ecological fields of action in the industry.

We focus specifically on areas in which our influence is greatest in regards to the issues and requirements that our stakeholders care about. Philanthropic projects, charitable donations and individual projects with a limited impact, are not the sole focus. Our continual and strategic further development concerning relevant subjects gives us credibility.

As part of this, we take on corporate responsibility and set goals that go above and beyond legal standards. Not just in Austria, our country of origin, but in every country that we work in. This helps us avoid business risks and negative effects from our activities, and successfully positions us in the market as a provider of responsible entertainment. Today, 36 years after being founded, NOVOMATIC is one of the global leaders in the high-tech gaming industry. At the same time, NOVOMATIC is a company that is strongly anchored in our community, with high levels of responsibility towards customers, employees, business partners and other stakeholders.

The challenges, goals, measures and results of our numerous CR activities are described in this report, in accordance with our five strategic pillars:

Three pillar Corporate Responsibility model



Social Goals:
Secure jobs, improvement of employee satisfaction, health care at the workplace, long-term cooperation agreements/sponsoring partnerships, development of further career opportunities, increase attractiveness as an employer, compatibility of family and career.

Economic Goals:
Positive and stable long-term corporate development, maintenance and expansion of market leadership, investment in innovation, ensure transparency and Compliance, Responsible Entertainment, Data Protection.

Ecological Goals:
Intelligent and efficient environmental protection: More efficient use of resources, avoidance of emissions and waste.

RESPONSIBILITY

Our fields of action



Responsible Entertainment



Enjoy working with us



Corporate Governance



Going Green



Active in the Community

Five fields of action create the strategic pillars that encompass all our CR activities and include economic, ecological and social issues that have been identified as relevant in the materiality assessments we regularly perform:

- **Responsible Entertainment**

This field of action represents all activities that ensure gaming remains entertainment and does not lead to problematic behavior. The fundamental goal is to comply with all legal requirements. In addition, we remain true to the basic principles of our Responsible Gaming Code and our Responsible Marketing Code. This ensures responsible and secure gaming fun.

- **Enjoy working with us**

This guideline represents our goal regarding the treatment of and collaboration with our employees. We aim to be an attractive employer. Numerous activities and offers regarding employee development, creation of a secure and healthy workplace, and the diversity of our staff in terms of gender, age, background, language, special physical or mental requirements, as well as sexual and religious orientation, help us foster satisfaction in our employees, which leads to excellent products and services.


- **Corporate Governance**

This principle applies to the aspects required to ensure a legally compliant and ethical corporate management. The focus is on our compliance and risk management, internal monitoring systems and quality management. The tools we use are for example our Code of Conduct and our Anti-Corruption Guidelines.

- **Going Green**

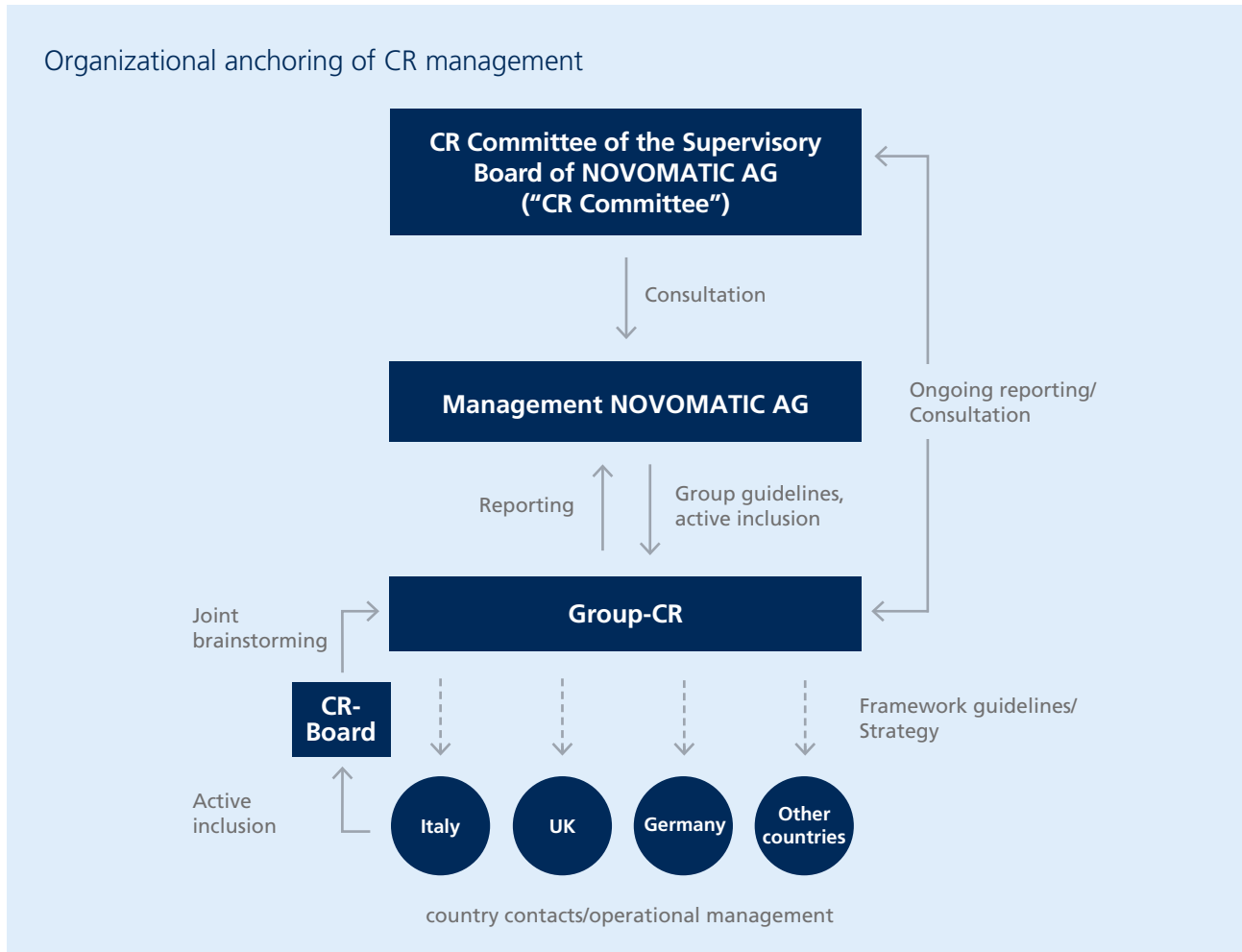
This aspect refers to our measures regarding the efficient handling of the energy and resources we use, as well as the reduction of our ecological footprint in terms of emissions, waste and waste water. As a technology company, this applies in particular to our numerous production locations. Our integrated management system covers the areas of environment, occupational safety, health and quality.

- **Active in the Community**

As a company, we are always anchored by our relationships with our stakeholders, as well as the culture and society in the countries in which we work. We want to be an active part of society, which is why we support the positive and social activities of our stakeholders through joint projects, sponsoring partnerships and donations. Our corporate volunteering activities and support for employees that volunteer their time provide proof that all our employees understand that they are an important part of society.  G4.2

The Group Corporate Responsibility Department is responsible for the strategic, structural and impact-oriented management of Corporate Responsibility at NOVOMATIC. This department reports directly to the NOVOMATIC AG Executive Board. Coordination and conversation on strategic CR challenges, opportunities and risks take place on a regular basis, both with the management of the company and with the Corporate Responsibility Committee of the NOVOMATIC AG's Supervisory Board. As far as we know, only global Corporate Responsibility pioneers have this type of committee, and we are the only company in Austria to have one in place, which highlights how strategically important CR is at NOVOMATIC.

Corporate Responsibility has deeply integrated roots



Martina Kurz
member of the CR Committee
at NOVOMATIC AG

"In my eyes, NOVOMATIC is an extremely generous company. We have a strong employee orientation and offer challenging career perspectives. We offer a lot of support – but we also demand a lot."




Barbara Feldmann
member of the CR Committee
at NOVOMATIC AG

"At NOVOMATIC, CR has a high priority. But CR must also be authentic – not a fig leaf taken casually. We live CR – all levels of hierarchy are actively involved in the subject. Because it is mainly up to the company to provide answers to societal questions. We strive to actively play a pioneering role in this respect, for example in the area of diversity."

In addition, the Corporate Responsibility Board holds quarterly meetings to foster continued development of subjects related to CR. The CR Board is made up of more than 15 representatives of the most important Group functions, Austrian operative units and internal experts on relevant CR subjects. This ensures a high level of integration in all operative and supporting business units.

In terms of international coordination and monitoring, we plan to integrate our international subsidiaries more strongly into the Group CR agenda in 2017. The goal is to increasingly

coordinate CR activities across continents, encourage exchanges of good practice, carry out joint projects and ensure a common CR standard in all important countries.

This CR governance structure ensures that CR aspects are anchored both strategically and operationally, and supports structured and strategic coordination of not just the economic effects of our activities, but also the ecological and social effects. In this way, we can meet stakeholder expectations wherever NOVOMATIC goes.  G4.34 – 36, 38 – 39



Philipp Gaggl
new Head of Group Corporate Responsibility & Sustainability

“I am very excited to be able to continue the development of Corporate Responsibility at the NOVOMATIC Group. I see very clearly that NOVOMATIC really understands not just the challenges, but also the values of CR, not to mention exemplary organizational CR anchoring and integration.

I am happy to be taking over this excellent foundation, with many thanks to my predecessor Dr. Monika Poeckh-Racek, Bettina Sterner and the whole team, to which I will be adding my experience in strategic and value-based orientation and international implementation of CR.

The formula, as far as I am concerned, is as follows: focusing on the most important aspects creates measurable and authentic continued development, and therefore creates credibility and trust in our CR activities on the part of our employees, partners, customers, and all our other stakeholders.”

Philipp Gaggl
Head of Group Corporate Responsibility & Sustainability

CR-report scope

The Corporate Responsibility (CR) contents are reported on a yearly basis. The previous CR report was published on April 29, 2016. This report is developed in orientation to the Global Reporting Initiative (GRI) Standard G4 at option Core.

Further information on the GRI content index, as well as the application of the UN Global Compact and Sustainable Development Goals can be found at our CR-website: www.novomatic.com/cr and in our online CR-report.

All content, data and graphs are related to the reporting period of 1.1.2016–31.12.2016 and the following companies if not otherwise indicated:

CR-core countries:

Austria with NOVOMATIC AG, NOVOMATIC Gaming Industries GmbH, ADMIRAL Casinos & Entertainment AG, ADMIRAL Sportwetten GmbH, HTM Hotel und Tourismus Management GmbH, Greentube Internet Entertainment Solutions GmbH, NOVOMATIC Lottery Solutions GmbH, Park Invest GmbH, Novo Invest GmbH

Germany with LÖWEN-Group with LÖWEN ENTERTAINMENT GmbH, Crown Technologies GmbH, EXTRA Games Entertainment GmbH, BPA Freizeit- und Unterhaltungsbetriebe GmbH, ADMIRAL Play GmbH, Spielbank Berlin Gustav Jaenecke GmbH & Co. KG

Italy with NOVOMATIC Italia S.p.A. with NOVOMATIC Italia Services s.r.l., ADMIRAL Entertainment s.r.l., ADMIRAL Interactive s.r.l., ADMIRAL Gaming Bolzano s.r.l., Allstar s.r.l., Sogeslot s.r.l., Adria Gaming Vicenza s.r.l., Euromat s.r.l., Electro System S.p.A.

United Kingdom with NOVOMATIC UK Ltd. with Luxury Leisure, Gamestec Leisure Ltd., Astra Games Ltd., Bell-Fruit Group Ltd., Extreme Live Gaming Ltd., S.A.L. Leisure Ltd., Playnation Ltd., RAL Ltd.

Further countries:

Spain: NOVOMATIC Gaming Spain S.A.

Netherlands: NOVOMATIC Netherlands B.V. with NOVOMATIC Services NL B.V., NOVOMATIC Development NL B.V., NOVOMATIC Exploitatie NL I B.V., NOVOMATIC Exploitatie NL II B.V., NOVOMATIC Exploitatie NL III B.V., Casino Admiral Holland B.V., Casino Admiral Zeeland B.V., Eurocoin Gaming B.V., Eurocoin Interactive B.V., Casino Admiral Holland Appelscha B.V., Recreatieprojecten Zeeland B.V., Elam Group Electronic Amusement B.V., JVH gaming products GmbH

Hungary: NOVOMATIC Hungária Kft

Croatia: INTERIGRE d.o.o.

Iceland: NOVOMATIC Lottery Solutions (Iceland) hf.

Albania: Lotaria Kombëtare sh.p.k.

Corporate Responsibility Management

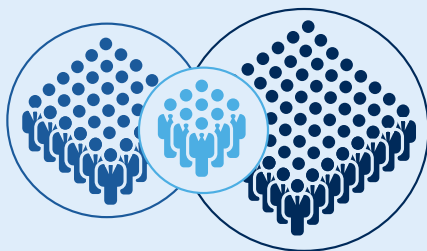
In order to build trust with our stakeholders and create added value for our company, we work on CR issues that are considered important and measure our performance progress.

Dialog with our Stakeholders

For us, considering the demands and expectations of our stakeholders is one of the main components of CR Management.

Our stakeholders include all legal entities and natural persons on which our corporate activities have an effect, or that can influence us in some way. This includes, among others, our customers, employees, investors, business partners, regulatory authorities, both international or on state and country levels, interest groups, sponsorship partners, representatives of player protection institutions, research institutions in the area of addiction prevention, as well as other direct and indirect stakeholder groups.

Overview of our Stakeholders



- **Internal stakeholders:**
Employees, management, owner
- **Stakeholders with direct influence on NOVOMATIC:** Business partners, authorities, politicians and decision-makers, investors and financial institutions, subsidiaries, surrounding environment at our facilities, sponsoring partners, player protection and therapy centers, research partnerships, self-help groups, customers
- **Stakeholders with indirect influence on NOVOMATIC:** NGOs, interest groups, media, interested public, market participants

Within the framework of the many forms of stakeholder inclusion we offer, we are continuously part of a close exchange and dialog with these stakeholder groups. Our goal is to understand the requirements, expectations and development perspectives of our stakeholders with regards to our CR activities. This supports us in finding an optimal balance between our stakeholders' requirements and our corporate goals.

By doing so, we can evaluate the relevance of our most important CR topics through the eyes of the stakeholders, and set our CR priorities according to both stakeholder and corporate perspectives. We are aware that not all stakeholders share our perspective and we have also been faced with criticism. Transparency, as well as open and constructive dialogs, are the central focus of our CR communication. We communicate with our stakeholders across a variety of channels, for example in direct conversation, working groups, workshops and events, through reports, our website and recently via social media.

This CR Report is intended to provide a clear summary of our CR approach, our goals and measures, and the results of our activities with stakeholders. ✓ G4.24 – 25

Group Corporate Responsibility

Tel.: +43 2252 606 0

E-Mail: cr@novomatic.com

✓ G4.31

The following summary is a list of different types of information, dialog and direct cooperation with our stakeholders:

Information	Dialogue	Participation
Create transparency, provide information	Open exchange, listen and learn	Active involvement, realization of projects
novomatic.com/cr	<p>annually</p> <p>STAKEHOLDER DIALOG</p> <p>Nachhaltig. Innovativ. Konstruktiv.</p>	Several research partnerships in the area of addiction prevention
Annual CR reporting: According to the GRI standard, Progress Report according to UN Global Compact	<p>annually</p> 	Sponsoring in the area of addiction prevention, science and research, social affairs, and constant financial support for addiction therapy centers
Regular reporting to supervisory authorities	Training and further education for CR officers, as well as internal training for all employees	Member of respACT Austria, regular participation in working groups and workshops
Ongoing communication with state commissioners (ADMIRAL Casinos & Entertainment AG)	Personal talks with relevant stakeholders	Internal CR-Board meetings for ongoing coordination within the NOVOMATIC Group
Continuous coordination and communication with ADM Agenzia delle Dogane e dei Monopoli (Italy)	Participation in press conferences and talks with journalists	NOVOMATIC Symposium twice a year (internal, for employees)
Intranet news for employees, NOVOWelcome Days for new employees	Participation in international expert conferences	Active involvement of specialist departments in the preparation of the annual CR report
Participation in sustainability awards: TRIGOS, ASRA	Continuous survey among customers of the operating entities (NGI, LÖWEN Group; ACE and ASW)	Employee satisfaction survey at the Gumpoldskirchen location as well as in the operational area (in parts already completed or being planned) as well as at the LÖWEN Group (follow-up survey being planned)
Publications and brochures	Regular guided tours at the Gumpoldskirchen facility	LÖWEN Group is a member of the umbrella association German Vending Association (Die Deutsche Automatenwirtschaft)
	LÖWEN long-standing partner of German Association for Small and Medium-Sized Businesses: "Entrepreneurs' Brunch"	Since 2016 NOVOMATIC is active member of the working group Social Responsibility of the industry platform EUROMAT
	ICE Totally Gaming, London: important annual industry trade show	

NOVOMATIC also views membership in interest and industry groups, as well as organizations with a sustainable or corporate responsibility agenda. Thus the company takes the role as significant for the dialog with relevant stakeholders as an active designer of the community seriously.

The following memberships allow us to make the best use of our experience, for example with regards to player protection, and to offer our perspective on continued development of the CR agenda in the industry and conversation with other companies:

NOVOMATIC Location	Interest Groups
NOVOMATIC AG Group	European State Lotteries
	World Lotteries Association
	European Lotteries Association
	EUROMAT European Gaming and Amusement Federation
	NASPL The North American Association of State and Provincial Lotteries
	CIBELAE Corporación Iberoamericana de Loterías y Apuestas de Estado
	GSA Gaming Standard Association
	Locally in relevant chambers of commerce and trade associations
Austria	respACT Austrian business council for sustainable development
	Leading companies Austria (Leitbetriebe Austria)
Germany	Federal Association of Private Casinos, Germany (Bundesverband privater Spielbanken Deutschland)
	Federal Economic Association (Bundesverband für Wirtschaft)
	Numerous compliance networks
Italy	Network of CSR Managers in Italy

Next year, as always, we will be engaging in dialog with our stakeholders. Using social media and other channels, we will do our best to communicate with greater transparency on our activities, our handling of critical aspects of the core business, as well as the demands of our stakeholders.

✓ G4.16, 26

NOVOMATIC Italia also carries out numerous stakeholder dialog activities. This includes measures such as active dialogs with the Universities of Pavia, Florence, Bergamo and Salerno on player protection, as well as regular exchanges of information on Corporate Responsibility subjects in the Italian CSR Manager Network. 2016 there has been the joint book publication of legal framework conditions regarding player protection with the renowned lawyers Paolo Leone and Giampiero Moncada, publication of additional books together with LeX Gaming and Eurispes on player protection and pathological gaming, as well as publication of CR information on the local website [i](#).

[i](#) CR NOVOMATIC Italia:
www.novomatic.it/corporate-responsibility




Publications on regulatory requirements in the industry and player protection in Italy

In Croatia, an event on responsible gaming is hosted once a year, led by specialists for gaming addiction and therapy.

Our subsidiary in the UK, NOVOMATIC UK, maintains close contact with its stakeholders on the subject of responsible gaming, for example, through dialog with the UK Gambling Commission, by taking part in workshops and working groups on the subject, and by talking to experts.

In Peru, over the past year, a campaign was carried out together with SONAJA, the association of gaming companies, on responsible gaming and gambling addiction.

We Focus on the Material Issues

Our five strategic areas of action: Responsible Entertainment, Enjoy working with us, Corporate Governance, Going Green and Active in the Community, create the strategic pillars of our corporate responsibility activities. At regular intervals, we carry out a process of identification of relevant economic, social and ecological subjects that have to be actively coordinated. In doing so, we follow the international materiality assessment from the Global Reporting Initiative (GRI)  and orient ourselves on good practice in our industry.

 GRI Standard: www.globalreporting.org

The Materiality Assessment

2015 was the last time we carried out the complete process for updating the CR subjects identified as material. The following analyses, among others, took place:


- Analysis of the Political, Economic, Social, Technological, Legal and Environmental (PESTLE) risks and chances
- Analysis of the NOVOMATIC stakeholder groups and their influence on the company, as well as NOVOMATIC's influence on them
- Analysis of the material subjects based on the Business Model Canvas concept
- Analysis of the Peer Group on a comparison of NOVOMATIC CR services with comparable companies
- Determining the most significant subjects from an employee perspective
- List of the perspective of the Supervisory Board of the NOVOMATIC AG, as well as department heads through structured interviews

The following image of the "materiality matrix" shows the CR issues identified as significant from the perspective of external stakeholders and those within NOVOMATIC. All issues represented are actively addressed within the framework of CR Management.

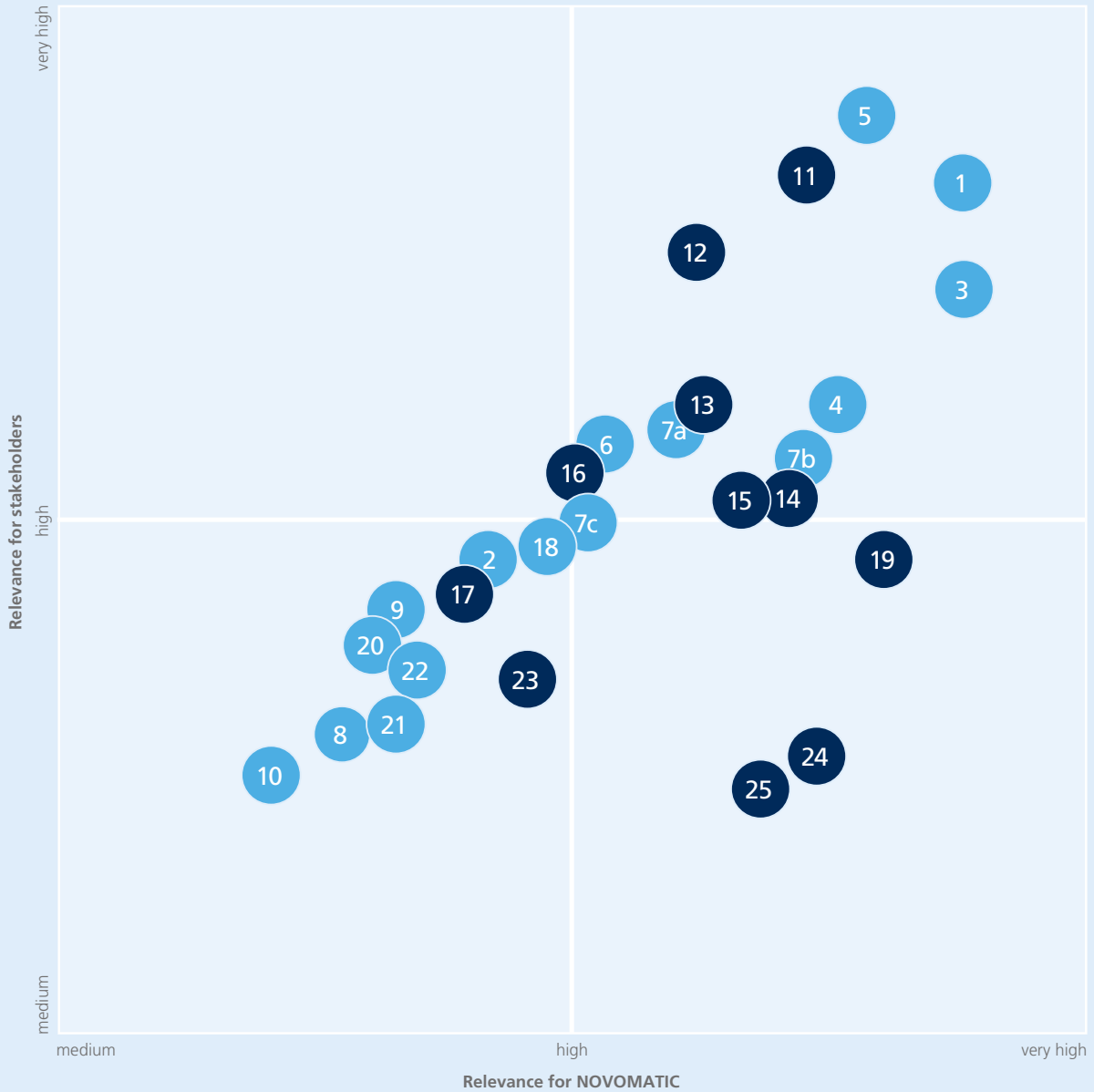
The next update to the materiality matrix is planned for 2017.

The Y axis shows the relevance of the CR subjects deemed material by NOVOMATIC's external stakeholders (e.g. customers, partners, authorities, etc.). The X axis shows, in parallel, the relevance of these subjects from the perspective of NOVOMATIC AG (e.g. management, employees, Supervisory Board).

The higher the relevance for our stakeholders and company, the higher we prioritize the structured further development and improvement of our CR performance in these areas.

This report deals with all CR subjects identified as material. There is nothing significant to report for the following subjects in 2016, and/or these are the results of measures taken for general CR management: "Inward and outward transparency", "Knowledge management", "Lobbying" and "Financial stability". "Attractiveness as an employer" is addressed in the various sections of the chapter "Enjoy working with us". We are planning an update to the materiality matrix in 2017.  G4.19 – 22

Materiality Matrix 2015



- 1 Compliance (2013: 1, 11)
- 2 Local anchoring
- 3 Innovation
- 4 Player Protection
- 5 Data Protection
- 6 Responsible Marketing
- 7a Job stability
- 7b Training and Education
- 7c Occupational Safety
- 8 Health Management
- 9 Diversity of employees
- 10 Sponsoring (2013: 10, 15)
- 11 Financial stability
- 12 Quality Management
- 13 Outward transparency
- 14 Lobbying
- 15 Attractiveness as an employer
- 16 Knowledge Management
- 17 Work-Life-Balance
- 18 Recyclability (2013: 13,14)
- 19 Customer Relations
- 20 Energy Efficiency (2013: 13)
- 21 Recycling (2013: 13,14)
- 22 Resource Conservation (2013: 13,14)
- 23 Supply Chain
- 24 Synergy Management
- 25 Inward transparency

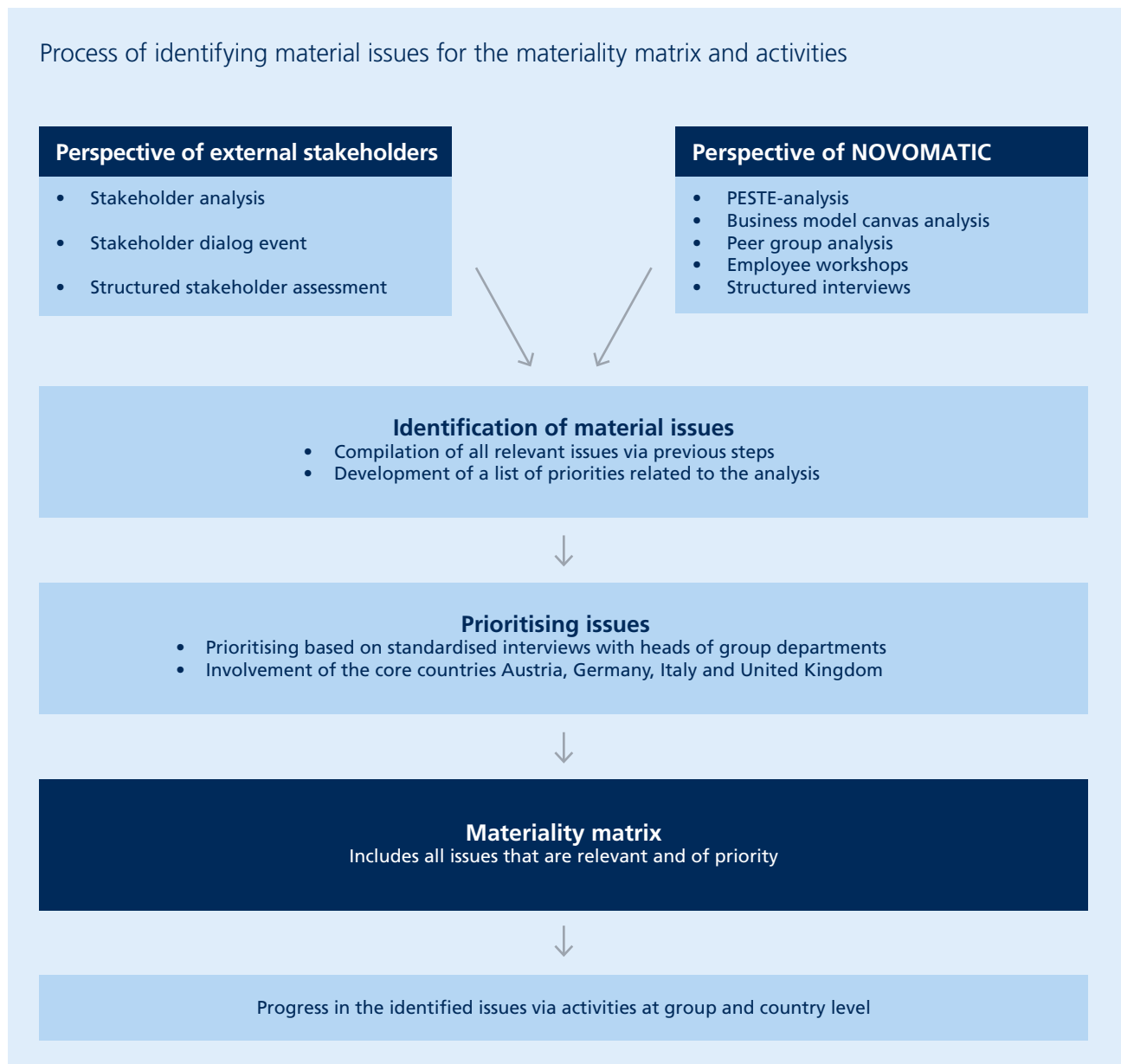
● Topic areas 2013 and 2015
 ● Topic areas 2015 new

You Can Only Manage What You Measure

In order to actively manage our performance progress and improvement on CR subjects regarding the effects for us and our stakeholders, we use a series of management systems, standards, guidelines and certifications.


For years, we have oriented ourselves in terms of Group CR Management on the latest standards and guidelines, such as the principles of the UN Global Compact, the standards from the Global Reporting Initiative, and lately also the global goals under Sustainable Development Goals.

In NOVOMATIC Group production locations and operational subsidiaries across numerous international locations, we use a variety of standards and tools to manage CR subjects. NOVOMATIC Group uses the following standards and guidelines for CR Management:



CR Management Tool	Context	In use from
United Nations Global Compact (UNGC) Principles	<p>Corporate initiative founded in 2000 by UN General Secretary Kofi Annan, currently has more than 9,000 members. Illustrates ten principles for responsible trading.</p> <p>Within the framework of this report, NOVOMATIC publishes a UNGC Communication on Progress (COP)</p>	May 2014
United Nations Sustainable Development Goals (SDGs)	<p>17 measurable goals in regards to sustainability, which, starting in 2016 as a successor of the Millennium Development Goals (MDGs), apply to all countries across the globe and provide guidance to corporations.</p> <p>NOVOMATIC uses these SDGs as a strategic guide and provides information within the framework of this report.</p>	2015
Global Reporting Initiative Standards (GRI)	<p>Worldwide de facto standards (GRI Standards) for Corporate Responsibility and Sustainability reporting.</p> <p>Specifies, in a type of "dictionary function", the aspects and detailed indicators in the categories "economic", "ecological", "work practices", "human rights", "society", and "product responsibility" in order to provide a basis for comparison across corporate borders.</p> <p>This year's report is again oriented on GRI standards.</p>	2011
OECD Guidelines for multinational enterprises (OECD MNC)	<p>The guidelines for multinational enterprises of the Organisation for Economic Co-operation and Development (OECD) are recommendations providing principles and standards for responsible business conduct for multinational companies.</p> <p>NOVOMATIC adheres to these principles since 2014.</p>	2014
Quality Management standard ISO 9001	<p>ISO 9001 is an ISO standard for managing numerous quality aspects, and provides a basis of evaluation for quality performance.</p> <p>NOVOMATIC uses ISO 9001 in numerous countries in a variety of ways.</p>	Country-specific
Environmental Management standard ISO 14001	<p>The standard, published by the International Standardisation Organisation (ISO), helps with management and performance evaluation in regards to ecological aspects such as environmental protection, use of resources, waste, waste water and so on.</p> <p>NOVOMATIC uses ISO 14001 in numerous countries in a variety of ways.</p>	Country-specific
Health and Safety standard OHSAS 18001/ISO 45001	<p>NOVOMATIC is attempting to gain Level 1 certification in accordance with the OHSAS 180001 (Occupational Health and Safety Assessment Series) standard in Austria for the first time in 2017. Certification in accordance with the new ISO 45001 standards is subsequently planned for NOVOMATIC in Austria in 2018.</p> <p>NOVOMATIC uses OHSAS 18001 in numerous countries in a variety of ways.</p>	Country-specific
Information security standard ISO 27001	<p>This ISO standard specifies the requirements for an information security management system within an organization. It also provides requirements for evaluation and handling of information security risks.</p> <p>NOVOMATIC uses ISO 27001 in numerous countries in a variety of ways.</p>	Country-specific

While our subsidiaries usually base their selection of CR Management tools on legal requirements and local custom, there are many standards and additional tools used across the entire NOVOMATIC Group.

The standards most used within the Group are ISO 9001 and ISO 14001. Some subsidiaries are also starting to use OHSAS 18001 and ISO 27001.  G4.15



Our Activities a Summary



Our Challenges

- Legal requirements that vary widely from region to region
- Excessive regulations in some countries, lack of regulations in others



Our Strategic Goals

- Active participation in the responsible entertainment discussion
- Creating better understanding of our activities in the area of player protection
- Advocating for sensible and responsible use of our services
- Optimizing our prevention measures



Highlights from 2016

- Conversation and mutual education within the NOVOMATIC Group on responsible entertainment as part of the NOVOMATIC Symposium
- Active dialog with our stakeholders as part of the Responsible Gaming Symposium
- New information brochures on responsible gaming and betting (for gaming terminal betting and sports betting in Austria)
- Development of a new Responsible Betting Code in Austria
- Development of "Customer Care" to accompany responsible gaming participation for our guests in Austria
- Establishment of the Gesellschaft für Spielerschutz und Prävention mbH (GSP) (Corporation for Player Protection and Prevention)
- Certification by TÜV as a "regularly audited gaming facility" of more than 300 ADMIRAL gaming facilities in Germany
- Awarded the "Legality Rating" in Italy for ethical company practices, presented by the gaming authority



Our Next Steps

- Further develop our Responsible Gaming Code for the NOVOMATIC Group
- Develop Group-wide Responsible Marketing Standards
- Continued evaluation and development of our player protection measures
- Support the exchange of good practices on Responsible Entertainment between subsidiaries
- Expand player protection training
- Expand development of biometric recognition systems for optimizing identity determination
- Scientific analysis of measures to protect gaming participants
- Further develop the "Spiel Bewusst" awareness initiative in Germany

Responsible Entertainment

Responsible entertainment is not a contradiction, as far as we are concerned; instead, long-term customer and stakeholder relationships are in our best interests. This approach also helps maintain our "License to Operate", i.e. social acceptance of our company activities.

The gaming industry is strictly regulated and controlled, with numerous regulatory requirements in the area of youth and player protection, as well as reliability and professionalism of the provider. These requirements are defined very differently across Europe and even within individual countries – an example is Austria, with its differing state laws. You can find a summary of the legal framework conditions in Austria, Germany and Italy in our CR report from last year and, depending on the country, on the websites of our subsidiaries.

✓ G4-PR6

i You can find details to the legal framework in our CR Report 2015: www.novomatic.com/en/explore-novomatic/corporate-responsibility

As a producer of high-tech gaming equipment, NOVOMATIC is one of the leading companies in the industry. Our customers and business partners benefit from the unreserved commitment to top quality, perfect handling of the highest grade materials, and the precision work in the interest of the customer. Our aspirations as a producer also apply, of course, to our operating subsidiaries, which run electronic casinos, casinos and sports betting facilities. NOVOMATIC created the Responsible Gaming Code as a guideline for our various operational units to provide guidance on and, therefore, a minimum standard for responsible gaming.



Dr. Monika Poeckh-Racek
CEO of ADMIRAL Casinos
& Entertainment AG

"Cautious and moderate regulation which takes market needs into account is essential for effective player protection. Excessive regulation, or no regulation at all, is counter-productive and simply leads to more illegal gaming. NOVOMATIC has supported a dialog for finding a joint solution between politics, authorities, providers and those affected for years, and we will continue to follow this path."

Responsible Gaming Measures in Overview

The following overview shows the implementation of Responsible Gaming measures in the group in selected operational markets by end of 2016 (all sales channels):

	Albania	Austria	Belarus	Bosnia & Herzegovina	Bulgaria	Croatia	Czech Republic	Estonia	Germany	United Kingdom	Italy	Latvia	Lithuania	Macedonia	Montenegro	Netherlands	Paraguay	Peru	Poland	Romania	Serbia	Slovakia	Slovenia	Spain	
Information offering	●	●	-	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Helpline	-	●	●	-	-	●	●	●	●	●	●	●	●	●	-	-	-	●	●	●	●	●	●	●	-
Website & e-mail	●	●	●	●	-	●	●	●	●	●	●	●	●	●	-	●	●	●	●	●	-	●	●	●	●
Cooperation (therapy & counseling institutions)	●	●	-	-	●	●	●	●	●	●	●	●	●	-	●	-	-	●	●	●	●	-	-	-	-
Support of self-help groups	-	●	-	-	-	●	●	●	●	-	-	●	-	-	-	-	-	-	-	●	-	-	●	-	-
Support of research institutes	-	●	-	-	-	●	●	●	●	●	-	-	-	-	●	-	-	-	-	●	-	●	-	-	-
Employee training	●	●	-	●	●	●	-	●	●	●	●	●	-	●	-	●	-	●	●	●	●	●	●	●	●
Access control system	-	●	-	-	-	●	●	-	-	-	-	●	●	-	●	-	-	●	●	-	-	-	●	-	-
Access restrictions	-	●	●	-	-	-	●	●	●	-	●	●	●	●	-	●	●	●	●	●	●	●	●	●	●
Protection of minors	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Technical prevention measures on devices	-	●	-	-	-	-	-	●	-	●	-	-	-	-	●	***	***	-	●	-	-	●	●	-	-

* Access control system currently only implemented for the casino segment.

** In the area of state-licensed machine gaming in Lower Austria, Upper Austria, Burgenland, Carinthia, as of January 2016 also in Styria.

*** No legal provisions in Paraguay and Peru.

- recently established
- implemented
- in planning



From left to right: Moderator, Laura DaSilva, Dr. Monika Poeckh-Racek, Sabrina Höllinger, Dr. Fred Luks, Agatha Kalandra

The NOVOMATIC Responsible Gaming Code includes the following principles

1. Prevention is the best player protection.
2. We protect children and young adults.
3. We communicate responsibly.
4. We strengthen our customers' sense of responsibility.
5. We employ competent staff members.
6. We value informed customers.
7. We make controlled gaming possible.
8. We guarantee fair playing conditions.
9. We work with experienced partners.
10. We take on responsibility in regulated online gaming markets.

This Code is used in internal training sessions on player protection and is provided to every new employee. It is available both to the public and on the NOVOMATIC intranet in German, English and Italian. As an expansion of the Code, we work on Responsible Marketing Standards for the Group. In doing so, we make use of our experience in Austria and other strictly regulated core markets.

i The Responsible Gaming Codex can be found here: www.novomatic.com/en/explore-novomatic/corporate-responsibility


The concrete definition of responsible gaming measures primarily depends on the legal framework of the individual markets in which we are active. In this context, it should be noted that we operate only in regulated markets, even if the legal provisions differ from one country to the next. Our active protection of players and minors makes us pioneers in our industry, and we continue to work on improving our Responsible Gaming measures. G4-DMA

The most important Group event within the area of Responsible Gaming was the Responsible Gaming Symposium, which took place in 2016 for the 7th time at the Novomatic Forum with the title "Responsible Entertainment is not a contradiction". Panel discussions were held by Dr. Monika Poeckh-Racek, ADMIRAL Casinos & Entertainment AG, Sabrina Höllinger, Group Treasury NOVOMATIC Gaming Industries GmbH, Dr. Fred Luks, Competence Center Sustainability at the Vienna University of Economics and Business, the British Corporate Social Responsibility expert Laura DaSilva, and Agatha Kalandra, PwC Austria. After the panel discussions, four parallel workshops took place that dealt with different areas of responsible entertainment. The workshops were moderated by Laura DaSilva, Dr. Alfred Uhl and Dr. Alexander Puhm. The well-known mathematician Professor Rudolf Taschner held a lecture on "Luck and Chance". As part of the symposium, certificates were awarded for the prevention representative course, which has been held for years in cooperation with the Anton-Proksch Institute in Vienna.

i You can find the complete report in German on the event here: www.novomatic.com/en/explore-novomatic/press

The following sections describe the highlights of our activities over the past few years. These are just a few examples of the numerous measures taken across the entire Group of companies.

Player Protection


Taking responsibility for player protection has added value for gaming operators. After all, customer relationships are only sustainable if they receive a certain amount of care. This is particularly true in the gaming services industry. A confluence of various factors may represent a higher risk that guests will lose control over their gaming participation. A good degree of attentiveness combined with high sensitivity for potential negative effects provides our employees with a solid foundation for protecting our players.  G4-PR3

Responsible Gaming

ADMIRAL Casinos & Entertainment (ACE) operates state-licensed gaming in Austria with gaming terminals and is the only provider that has a state license in all five “permission states” (Lower Austria, Upper Austria, Burgenland, Styria, Carinthia). Due to strict and comprehensive legal framework conditions, this segment is one of the most highly regulated in the gaming industry. This almost unique high degree of regulation allows not only the implementation of very different measures for player protection but also allows us to evaluate these measures. With the information available regarding frequency and intensity of player participation, ACE is able to develop a prevention program tailored to individual guests.

Last year, the information folder “Player protection is teamwork!” was developed for branch employees at ADMIRAL Casinos & Entertainment, and personally handed to every employee in every branch. This folder provides a compact overview of the most significant pillars of the player protection program from ACE and highlights their important role in this program.

NOVOMATIC Italia developed new player protection materials last year, marked by the red warning triangle recognizable by everyone within the NOVOMATIC Group. These documents are part of the Italian Responsible Gaming program, which is made up of four pillars: Communication, training, research and corporate social responsibility activities. In terms of communication, as was the case in 2015, last year the focus was on a player protection information campaign featuring the well-known Italian swimmer Federica Pellegrini. Pellegrini advocated for responsible gaming on more than 200 taxis in Rome. In terms of education, training sessions for employees, both on location and online, were offered. Online training has the advantage of reaching more employees and is able to provide quicker access to new regulatory content. NOVOMATIC Italia works together with leading experts researching early recognition of risky behavior. In other CR management areas, NOVOMATIC Italia embraces its role as an active citizen and supports activities in the arts, culture, sport and environmental protection.

 More information about our activities in Italy can be found here: www.novomatic.it/gioco-responsabile



Employee information folder “Player protection is team work”

Pillars of Player Protection at ADMIRAL



- Training of our branch employees**
 The basis for effective prevention work is a well-trained workforce.
- Prevention through information**
 Proactive information on responsible gaming with the first visit.
- Our guests in focus**
 The direct contact of our branch staff to the guests is an ideal basis for effective social control.
- Preparing the talk and establishing contact**
 The personal talk with our guests is part of the secondary prevention. The branch manager talks with the guest when necessary.
- Talk with the guest**
 Well trained branch managers lead the talk with guests about the potential dangers of excessive gaming.
- Options for self-control**
 Ideal advice of guests in respect to the options to limit the game participation i.e. limiting the days of visit.



Federica Pellegrini in front of an advertisement for Responsible Gaming on a taxi (in Rome)




Information material on the “Spiel-Bewusst” campaign of the LÖWEN Group

The LÖWEN Group in Germany, together with Löwen Play and the Schmidt Group, established the “Gesellschaft für Prävention mbH” (Corporation for Prevention) or GSP, in 2016. This corporation combines the activities and competence of the three companies in the areas of protection of players and minors, as well as addiction prevention. The goal of the GSP is to offer gaming facility operators a variety of high standard services that allow them to implement effective player protection and prevention measures of the highest quality. This includes the provision and continued development of a state-wide social concept for gaming facilities with state

concessions. The GSP is divided into three areas: active prevention work (with a current total of 17 prevention counselors), player protection and training. The GSP makes use of a campaign that is already widespread and builds on the social concept SPIEL-BEWUSST.DE from the LÖWEN Group, which provides players with information on how to handle gaming responsibly. The aim is to give players the tools to recognize when their own gaming behavior starts to change.

 You can find information on the activities of GSP here: www.gsp-spielerschutz.de

Another success in 2016 for the LÖWEN Group, one of the leading operators of gaming facilities in Germany, was the successful certification of around 300 ADMIRAL gaming facilities as “Regularly audited gaming facilities”, carried out by TÜV Rheinland. This seal of quality includes the audit of 137 criteria in the areas of organization, personnel, legal framework conditions, operations, infrastructure and social programs. Yearly monitoring audits and unannounced mystery audits lead not just to the awarding of the certificate, but also to the continuous development of responsible game operations. The goal for 2017 is to certify all ADMIRAL gaming facilities.

 You can find information on the TÜV certification “Regularly audited gaming facilities” and a self-test here: www.tuv.com

Astra Gaming Group, a subsidiary of NOVOMATIC UK in United Kingdom, kick-started the “Play Nice” initiative for supporting responsible gaming. The goal is to support players in recognizing problematic gaming behavior, and to provide information, help and advice. Responsible gaming means maintaining control over how often players play, and how much time and money they invest in gaming activities, as gaming is supposed to be fun, not a burden. “Play Nice” offers, in addition to general information on gaming and recognizing indications of uncontrolled gaming behavior, a self-check list and several points of contact and ways to get help.

In the Netherlands, NOVOMATIC Netherlands supports the Center for Player Protection (“Centrum voor Verantwoord Spelen”), an independent aid foundation and non-profit organization that brings the government, gaming companies and player protection institutions together. The focus is on using help-desk services, training, research, certification and counseling to prevent and recognize gaming addiction, and to provide therapy for those affected.

“Play Nice” rules

If you are concerned that your gaming is no longer fun and at risk of becoming a problem, there are some simple steps that you can take.

- **It's good to talk**

Talk to someone close that you trust – either a family member or friend. You can also talk to the manager or licensee where you gamble. They will understand because their experience gives them an awareness of the issues involved.

- **Take a break**

Take a short break and clear your head. It will help you see things differently and perhaps make you think more about how much time you are spending playing.

- **Know your limits**


Whatever we do for fun, we all have to know our limits and gaming is no exception. Commit before you start playing by setting a limit on how much money and time you will spend. More importantly – stick to it!

- **Enjoy it**

Make sure that your gaming is an enjoyable pastime that doesn't impact negatively on other areas of your life. If it ceases to give you pleasure it's time you reassessed the way you play. Honesty is the best policy.

- **Self-exclusion**

If you think that gaming is becoming a problem and the measures we've talked about here don't work for you, it is perhaps time to take an extended break from gaming. Simply talk to the manager and fill in a form.

 You can find information on “Play Nice” here: www.playnice.org.uk

Our subsidiary INTERIGRE in Croatia implemented NOVOMATIC Biometric Systems (NBS) in its electronic and live casinos in 2016. This will increase protection of minors in particular.

Responsible Sports Betting and Lottery Games

The company offers sports betting in over 250 facilities in Austria, as well as online. In addition to information brochures, such as the customer folder "Responsible Entertainment – tips for responsible handling of sports betting", ADMIRAL Sportwetten also provides contact to support and therapy facilities. The ADMIRAL customer card (not to be confused with the ADMIRAL Card from ADMIRAL Casinos & Entertainment) and associated bonuses support player protection.

In 2016, together with NOVOMATIC Group experts, ADMIRAL published its own Responsible Betting Code for employees. The contents of this Code are part of the training for new employees and will become an essential component of continued education for all facility employees in 2017, as part of a new annual training program. The annual training for all facility employees, which was newly designed in 2016, will be rolled out in March 2017 and provided in addition to existing training standards. In addition to dealing with responsible gaming and betting, it also includes updates on new regulations, product training and communication sessions. It will offer a forum for employees to exchange information with one another.



Advertisement of ADMIRAL Sportwetten GmbH

The Responsible Betting Code describes the following principles in detail

1. Prevention is the best protection for gaming customers
2. We protect children and young adults
3. We communicate responsibly
4. We strengthen our customers' sense of responsibility
5. We employ competent staff members
6. We value informed customers
7. We make controlled betting possible
8. We guarantee fair betting conditions
9. We work with experienced partners



NOVOMATIC Responsible Betting Codex

The Lotaria Kombëtare subsidiary in Albania, acquired in 2016, has introduced numerous player protection measures. Regular employee training, as well as training new point of sales partners in the area of Responsible Gaming, is standard. Customers are informed about the risks and characteristics of gaming addiction using fliers, websites and personal discussions. They also receive information on the prevention of gaming addiction and on the odds of winning when gaming.

Responsible Marketing

Responsible marketing begins when selecting target groups and builds on established high industry standards in communication. When designing the advertising message, advertisers make a conscious decision to ensure the advertising does not appeal to particularly vulnerable target groups. This applies explicitly to children and young adults.

All measures to protect our customers are based on the principle of enhancing personal responsibility. However, we also have self-imposed restrictions with regards to our advertising communication measures. Our Responsible Marketing Standards describe the limits of our advertising presence. For example, we do not publish any ads in media that pictures minors or is directed towards youth and young adults. Gaming is communicated as a way to have fun, and not a way to make money. When developing our Marketing Standards, we also took into account the results of a study by the Player Protection department of the Austrian Federal Ministry of Finance.

✓ G4-PR6

A good example of the application of our Group Marketing Standards is the implementation of the Responsible Advertising and Marketing Code at Lotaria Kombëtare in Albania. The Code is oriented on local conditions and legal requirements. The goal, for example, is never to raise false hopes in regards to potential winnings, avoid the message that gaming can be used as an income substitute, as well as prevent at-risk groups such as children and minors being addressed by the advertising in any way, shape, or form. For this reason, all communication, including at the point of sale and on posters, in brochures, on television and radio, as well as online advertising, notes both the strict minimum playing age of 18 and the principles of playing responsibly. TV, cinema or print advertising is never used in media directed at children or young adults. The company does not advertise near schools, at youth events or religious institutions.

i You can find information on the CR activities of Lotaria Kombëtare here: www.lotaria.al



Example of a Responsible Gaming folder at Lotaria Kombëtare



Our Activities a Summary



Our Challenges

- Maintain legal conformity in all corporate areas
- Sustain our high-quality manufacturing and service standards
- Create a culture in which all employees act in accordance with our Code of Conduct
- Digital transformation as inspiration for innovation



Our Strategic Goals

- Create a Group-wide Compliance Management network
- Substantiate significant legal requirements and sensitize the Group to using Group-wide compliance guidelines
- Ensure risk-conscious and quality-aware thought and action
- Continue to merge quality management into an integrated management system (IMS) in Austria



Highlights from 2016

- Establishment of the NOVOMATIC AG's Supervisory Board Compliance Committee
- Passing of additional Group compliance guidelines, for example on anti-corruption
- Provision of training on preventing money laundering, anti-corruption and data protection
- Updating our quality policy



Our Next Steps

- Measures for implementing the EU General Data Protection Regulation
- Further development of Third Party Due Diligence Standards
- Development of a Group-wide data protection guideline
- Exchange of innovation and idea management within the Group
- Further standardization of quality management in Austrian facilities
- Monitoring audit and recertification of ISO 9001 in Austria
- Preparation for the switch to ISO 9001:2015 in Austria

Corporate Governance

A responsible and value-adding company leadership, ensuring the fulfillment of all legal requirements, and the creation of the highest quality in production and services, are the core of our corporate governance activities.

Corporate governance, as a concept, includes at NOVOMATIC all those values, structures and measures that support a company in precluding, as much as possible, any conflicts or opportunistic actions on the part of employees and even the management of a company that are opposed to the interests of the owners. It reduces the possibilities and motivation for engaging in behavior that is deliberately wrong or even criminal. This takes place at a general level by communicating corporate values and conduct guidelines and, more specifically, through company guidelines, and is supplemented by measures such as whistleblowing hotlines.


Compliance with legal regulations and company guidelines is not the only part of corporate governance; it also includes ensuring that all employees and managers are in line with company values and the values of the society in which we are active. Corporate governance is the framework in which we act as employees, and also the compass that guides us in our actions. Compliance with laws (e.g. data protection laws) and internal company codes of conduct, maintaining minimum standards for our suppliers, ensuring high-quality standards, and encouraging innovation are all part of what we consider effective corporate governance management. Employee conduct that conforms with rules and regulations, and is also in line with company values, cannot be ensured by a single department, but is instead the responsibility of each employee and manager. In order to provide our employees with information on our corporate values and codes of conduct, corporate governance content is part of the training program for new employees, carried out as part of the NOVOWelcome Days.



Thomas Veverka
Head of Group Legal Compliance

"It is not always easy to be compliant in all areas of business, and it is often associated with hard work and it unavoidable costs. At the same time, however, it is the only course of action that can lead to success over the long term, and that contributes to a stable and foreseeable development of the company."

Every employee of NOVOMATIC Group receives a copy of the Code of Conduct at the beginning of their time with us. The Code has now been translated into the most important Group languages to accurately reflect the company's diversity. The contents of the Code of Conduct and other compliance subjects are also explained using practical examples at our NOVOWelcome Days, held every quarter for new employees at our headquarters in Gumpoldskirchen. The NOVOMATIC Code of Conduct is based on company values and is binding for all employees in all corporate and business segments, as well as all management levels in the Group. The Code contains rules for ethically and legally correct behavior and decision-making for all employees. It is based on local laws and international standards. The Code of Conduct comes into play when an employee is uncertain as to what conduct is correct and appropriate. The use of principles and codes of conduct also protects the public image of the company itself and reduces legal and regulation risks.

Compliance with the Code of Conduct is ensured by responsible executives within the company and monitored by the internal audit department. The consequences of not complying with the Code are listed therein and range from disciplinary measures to criminal charges being brought. 

Content of the NOVOMATIC Code of Conduct

- Basic required values
- Responsibility to our customers
- Treatment of business partners and other third-parties
- Ways to do business
- Company property, confidentiality and property rights
- Dealing with conflicts of interest
- Preventing money laundering
- Environmental protection
- Contact support
- Outlook and consequences in the event of violations

Basic elements of a CMS in accordance with the IDW PS 980 standard

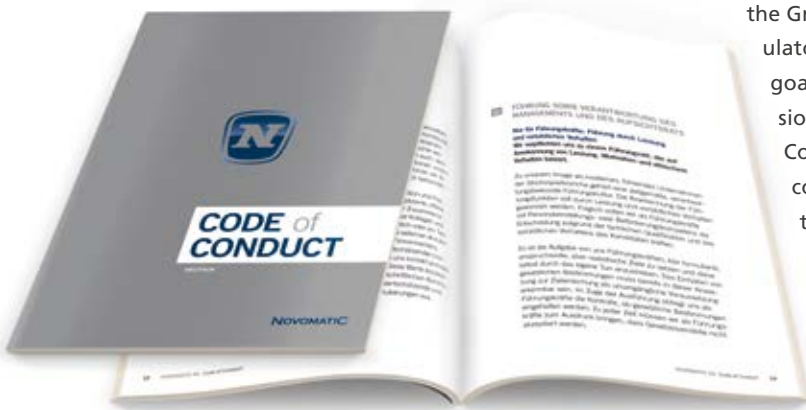
- 01 Compliance culture
- 02 Compliance goals
- 03 Compliance risks
- 04 Compliance program
- 05 Compliance organization
- 06 Compliance communication
- 07 Compliance monitoring

 More information at: www.idw.de

Compliance Organization

In 2016, a Group Legal Compliance office that reports directly to the Executive Board has been established. Further a Compliance Committee, headed by the CEO, was established for the further development of the Group-wide compliance management system and for developing recommendations to promote compliance with the Code of Conduct. The members of the Committee are the heads of the Group Legal Compliance, Legal, Human Resources, Regulatory Compliance and Internal Audit departments. The goal of the Committee is to avoid breaches of legal provisions within the Group and ensure compliance with the Code of Conduct. To do this, the Committee undertakes continuous monitoring of compliance activities within the NOVOMATIC AG Group. If necessary, recommendations are prepared for the NOVOMATIC AG Executive Board, and regular reports are provided to both the Executive Board and the Supervisory Board at NOVOMATIC AG. In addition, the Compliance Committee coordinates the processing of complaints and whistleblowing cases.

NOVOMATIC has its own whistleblowing hotline, where employees can call to anonymously report a violation of either the Code of Conduct or the law. The reports are dealt with by the Compliance Committee, and any further action is determined based on risk classification. If necessary, recommendations are made to the Executive Board of NOVOMATIC AG. Whistleblowing reports are part of the regular reports to both the Executive Board and Supervisory Board of NOVOMATIC AG.




Code of Conduct: Our key compliance document

Compliance

The goal of the NOVOMATIC Compliance Management System (CMS) is to ensure that all managers and employees act on behalf of the owner, and in accordance with company values and legal framework conditions. Group guidelines and the Code of Conduct are created to support this.

The CMS is based on the seven basic principles of a CMS in accordance with the German auditing standard for compliance management systems, IDW PS 980, a standard set by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer).


NOVOMATIC's compliance organization was also further developed in 2016 with the introduction of a corresponding Group guideline, to appropriately reflect legal framework conditions and increased legal liability frameworks, which are growing ever more strict. To implement the guideline, Compliance Officers will be appointed per country and per region. These officers will take on specific duties, for example advising local Group subsidiaries in questions of compliance, monitoring local law, training employees, implementing Group guidelines, and reporting to Group Legal Compliance.  G4-SO5

Guidelines

In 2016, we introduced an internal Anti-Corruption Group guideline with regards to presenting or accepting gifts, invitations, events, sponsoring activities and donations. This Group guideline will be implemented in all Group companies majority owned by the NOVOMATIC AG. The goal of this guideline is to set out specific conduct obligations and value limits for certain business activities (e.g. lunch invitations, accepting gifts), to avoid suspicion of corruption from the start, and therefore to reduce potential liability risks relating to companies within the NOVOMATIC AG Group, its organizations and employees.


In the area of money laundering, too, a variety of measures were introduced in 2016 to prevent NOVOMATIC products and services being misused for money laundering. One important preventative measure was the approval in 2016 of a Group guideline by the Executive Board that further developed minimum requirements for payment processes used in transactions and accounting Group-wide. For this reason, the guidelines contain concrete specifications on accepting and providing payment and standardize basic principles for payment transactions. For the purpose of preventing money laundering, and as an implementation of the "Know Your Customer" principle, Group contract partners were checked in cooperation with the Group security department, and an integrity check was carried out. More than 300 checks took place in 2016. As a supplement to the guideline, money laundering prevention training was provided for employees. NOVOMATIC AG Group management was informed during the 6th NOVOMATIC Symposium on the 4th EU Money Laundering Directive, as well as on new duties and effects on companies in the gaming industry.


Training

The intensification of compliance training was one of the most important tasks in 2016. The focus of this training was on anti-corruption, preventing money laundering in accordance with the new 4th EU Money Laundering Directive, data protection under the new EU General Data Protection Regulation, as well as on selected questions with practical examples from the Code of Conduct. 175 international managers were trained within the framework of two NOVOMATIC Symposiums, in April and November. About 120 people took part in 10 management training sessions at the headquarters in Gumpoldskirchen. In addition, colleagues from the NOVOMATIC AG Group were given presentations on selected compliance subjects within the framework of the international NOVOMATIC HR Days and CIO Days. New employees received basic training as part of the NOVOWelcome Days. Compliance training is also part of the NOVOMATIC training catalog which is also valid for ACE and ASW.  G4-SO4

Data Protection

Customers trust us with their personal data when using our gaming services, i.e. when operating gaming terminals, betting on sports, or when engaging in online and interactive gaming. In the interests of the customer, and in accordance with our Code of Conduct, we take very good care of these data. Upcoming obligations under the EU General Data Protection Regulation were communicated Group-wide in 2016, and the initial effects on data use within the Group were evaluated. A Group-wide survey on processing personal data was designed with help from the IT department. Training sessions were provided to help prepare for the new data protection regulations.


Since its establishment in 2011, ADMIRAL Casinos & Entertainment (ACE) has had an Information Security Management System (ISMS) in place, certified in accordance with the international ISO standard ISO/IEC 27001. This standard, which includes 114 individual aspects, describes the requirements for official certification. Among other things, constructional and personal safety measures are defined, as well as compliance guidelines and measures to ensure operational and network security. The international standards are also subject to regular updates. Currently, ISO standard 27001:2013 applies to our ISMS. A recertification audit was carried out by an external auditor in January 2015. ACE passed the audit with flying colors and may continue to use the certificate until the end of 2017.  G4-PR8

 ISO 27001 norm information security management system: www.iso.org/home.html

Quality Management


NOVOMATIC's high-quality products and services are some of the many reasons it is one of the world's leading gaming technology companies. Quality is deeply rooted in each of our business segments, in the manufacturing of gaming equipment, in service and catering, and when running casinos. Regardless of the business segment, NOVOMATIC places emphasis on continuous improvement, and also subjects itself to regular external certification to safeguard internal processes.

Quality Policy

Last year, NOVOMATIC Gaming Industries (NGI) in Austria revised its quality policy and moved further towards a potential future integrated management system. Our quality policy supports this self-perception and describes principles for quality-conscious actions of the executives and employees, in order to ensure the highest quality of gaming products and services. .

Quality Policy Principles


- Faultless products guarantee our pioneering position in the market.
- Effective processes support product quality and ensure products are available on time.
- Intensive exchange of information and experienced and qualified employees increase the quality of products and services.
- Avoiding errors from the start and minimizing nonconformity costs is a crucial goal.
- All employees are actively included in continuous improvement processes.
- Excellent cooperation with partners, suppliers, customers and authorities ensures mutual added value.
- Quality applies not just to products, but also to activities and services.
- The effectiveness of the quality management system is checked using audits.


 Quality policy of NOVOMATIC Gaming Industries GmbH: www.novomatic.com/en/explore-novomatic/press/publications

Quality management is only effective when the company is considered as "a whole". A system with many different working parts, that work together as a unit and complement each other. Our quality policy supports this understanding, and describes principles for quality in order to ensure the highest possible quality for gaming products and services. Quality management guarantees the quality of our services and therefore satisfaction for customers – customers who then become long-term business partners. In the year 2016 at NGI new areas as such as media technology and joinery, were brought into the quality management system. This happened for example through the documentation of existing processes, employee training, internal audits and implementing identified improvement measures.

Another focus last year at NGI was, in cooperation with the IT department, the development of a software tool that records recognized errors and documents the relevant correction and preventative measures for the future. This was implemented for quality assurance and technical support.

External Verification and Tests

NOVOMATIC Gaming Industries, as an Austrian producer of gaming equipment, and also ADMIRAL Casinos & Entertainment, an Austrian provider of slot machines, are certified in accordance with ISO 9001 . Our internal processes are improved on an ongoing basis by means of annual monitoring audits and recertification audits every three years.

 ISO 9000 norm quality management:
www.iso.org/iso-9001-quality-management.html

Quality management at ACE is also based on the ISO 9001 standard. In 2016, ACE focused in particular on facility audits, in order to develop and promote a unified standard at all locations. In addition to technical occupational safety and legal guidelines, they tested how well employees knew and could carry out work processes. This year focus was on service quality and the registration process. Due to the implementation of a continuous improvement process, it was easy to see a big improvement over the results of the previous year, and therefore also an improvement in service quality. In addition, customer feedback was collected, processed, and incorporated into the further development of the quality management system.



ADMIRAL branch

As in 2015, the service quality at ACE facilities was tested by an independent market research company. The test scenarios, carried out as mystery tests (unannounced visits to the facility) focused particularly on registration as well as on youth and player protection. In addition to a positive impression and high-quality service from our employees, the testers noted that, on the one hand, our facilities go above and beyond expectations and, on the other, based on their pleasant atmosphere and good service, facilities were to be recommended to others.

In the future, more business areas are to be integrated into quality management, and we also plan to strengthen synergies between environmental, occupational safety and health management within the framework of an integrated management system. Additional challenges will come from changes to the ISO standard revision ISO 9001:2015, which must be implemented into our existing system by 2018 and then certified.

Innovation

NOVOMATIC's success is based, in addition to the highest quality products and services, strongly on the innovation of our employees, from research and development right up to the realization of new products and solutions. As one of the top international gaming technology companies, it is crucial that we not only recognize trends early on but also trigger and drive new trends in order to maintain a strategic position within the market.

Intellectual Property

Innovation management is, therefore, understood as systematic planning, management and control of innovation within organizations. Our courage in introducing innovations and changes is reflected in the large number of patents and trademarks registered in NOVOMATIC's name. The number of registered intellectual property rights has now exceeded 4,000 and shows that innovation is a core part of our business. NOVOMATIC supports innovation wherever possible, particularly as a way to meet new market challenges, such as the digital transformation, upfront and head-on.



NOVOMATIC CEO Harald Neumann, Economic County Minister Dr. Petra Bohuslav, ecoplus Clustermanager Harald Bleier, ecoplus Managing Director Helmut Miernicki

Digital Transformation

In Austria, NOVOMATIC is a member of an initiative entitled “Digital Transformation”, which is run by “Mechatronik und Kunststoff des Landes Niederösterreich” (ecoplus mechatronics and plastics cluster initiative for Lower Austria), the IMC FH Krems and eleven leading Austrian companies. The partner companies worked under the title “Enterprise 4.0” and cooperated intensively with leading researchers and academics on Industry 4.0 subjects. The goal was to better understand the opportunities and challenges of the digital transformation and to implement them quickly and effectively. Based on specific and innovative use-case projects, digital technologies were implemented and systematically investigated with regards to their effects on productivity, business model, organization and employees. NOVOMATIC was the host of the first Enterprise 4.0 Forum, with more than 100 participants at the Novomatic Forum. ⁱ

ⁱ Initiative Enterprise 4.0: www.ecoplus.at

Innovation

Another example of our promotion of this innovative spirit can be found at the NOVOMATIC subsidiary LÖWEN-ENTERTAINMENT in Germany. The company has, for some time, been operating an internal platform used to collect creative and innovative suggestions from employees. This helps provide idea management with new impetus. Selected projects are regularly highlighted in the quarterly employee magazine “WIR”.

Another great example of encouraging innovation within our Group can be found at NOVOMATIC Lottery Solutions (NLS) in Iceland, which hosted the “Heavy Mental” event for the seventh year. The event is a hackathon (a word created by combining “computer hacking” with “marathon running”) in which employees work in interdisciplinary teams to develop new ideas for products, services or internal topics of interest within 24 hours. Last year, around 75 percent of the workforce was involved in idea teams or the jury, and around every second employee came up with a new idea. After the presentation, the victor, the person with the best and most innovative idea, was selected. Next year, planning is under way to host this event at other NLS locations in Serbia, Spain and Austria.

2016 HEAVY MENTAL




Pablo Anaya, Software Developer,
Winner of category Technical Idea - Heavy Mental

Supply Chain and Local Ties

The implementation of our Code of Conduct principles is not just compulsory for our management and employees, but also for our suppliers. Our suppliers' products are integrated into our own production processes, meaning that risks associated with our suppliers' products also – to a certain degree – become our own risks.

Due to the international orientation of our company, our suppliers also come from all over the world. In 2015, we performed an in-depth analysis of our 25 suppliers with the highest revenue. Together, they represent approximately 75 percent of the total purchasing volume at our Gumpoldskirchen location in Austria. The vast majority of these suppliers do not carry any economic, ecological or social risk. This is because, on the one hand, these successful business relationships have existed for a long time and, on the other, because the vast majority of suppliers for our Gumpoldskirchen location come from places where European law applies, which requires compliance with certain minimum standards regarding environmental protection, labor laws, and occupational health and safety.

Our subsidiary in Germany sources mainly semi-finished goods or machine components from Austria. Further purchases are handled by a central purchasing department at the Bingen headquarters. All contract partners of the German LÖWEN Group are required – as is the case for contract partners to our Austrian headquarters – to acknowledge our Code of Conduct, which applies across the Group, and confirm their compliance in writing. We are able to report a 100 percent compliance rate with the Code in Germany.

NOVOMATIC is an active employer and good citizen, using local suppliers and being actively engaged in its community (e.g. corporate volunteering) as well as with other regional companies (e.g. Enterprise 4.0). Not only that, it creates economic added value by paying numerous fees and taxes. NOVOMATIC's contribution to value creation for the economy in various countries is shown in the graphs at the beginning of this report. ✓ G4-EC9, EN32, LA14, HR10, SO9

Customer Relations

NOVOMATIC's high-quality products and services create high levels of customer satisfaction. To determine the satisfaction of our customers with regards to our products and services in a targeted manner and, above all, on a regular basis, NOVOMATIC uses several survey tools.

B2B customers are asked for constructive feedback via an ongoing survey from NOVOMATIC Gaming Industries (NGI) in Austria. The overall picture provided by the customer satisfaction survey in 2016 concerning NOVOMATIC Gaming Industries revealed that NGI customers are particularly happy, in addition to the performance of their gaming systems, with services in the areas of technical support and consultation. A new survey is planned for 2017.

In the operational area of state-licensed gaming and sports betting (B2C customers), a customer satisfaction survey was carried out in 2015 with support from an external polling institute. In 2016, numerous measures were put into place that had been inspired by the survey results. The plan is to repeat this customer satisfaction survey at two-year intervals. ✓ G4-PR5



Our Activities a Summary



Our Challenges

- Lack of specialists due to sociodemographic changes
- New challenges to employee expertise in light of the digital transformation



Our Strategic Goals

- Increase our appeal as an employer
- Further develop our education and training, particularly in the context of Industry 4.0
- Keep up the high levels of employee satisfaction



Highlights from 2016

- Establishment of an internal Learning & Development Board and selection of coordinators
- Implementation of executive training sessions
- Continued development of the NOVOTalent High Potential Program
- Beginning of our partnership with Haufe Akademie, the largest German professional academy
- Awarded the NESTOR^{GOLD} seal of quality for intergenerational and aging appropriate companies, for the first time
- Once again received the Best Recruiter silver seal
- Implementation of corporate health management, for the first time in Germany
- New training program for improving management skills in Italy
- Implementation of a first online employee survey in Croatia
- Implementation of legal management software for occupational safety and environmental protection in Austria
- Hosted the second NOVO Safety Day in Austria



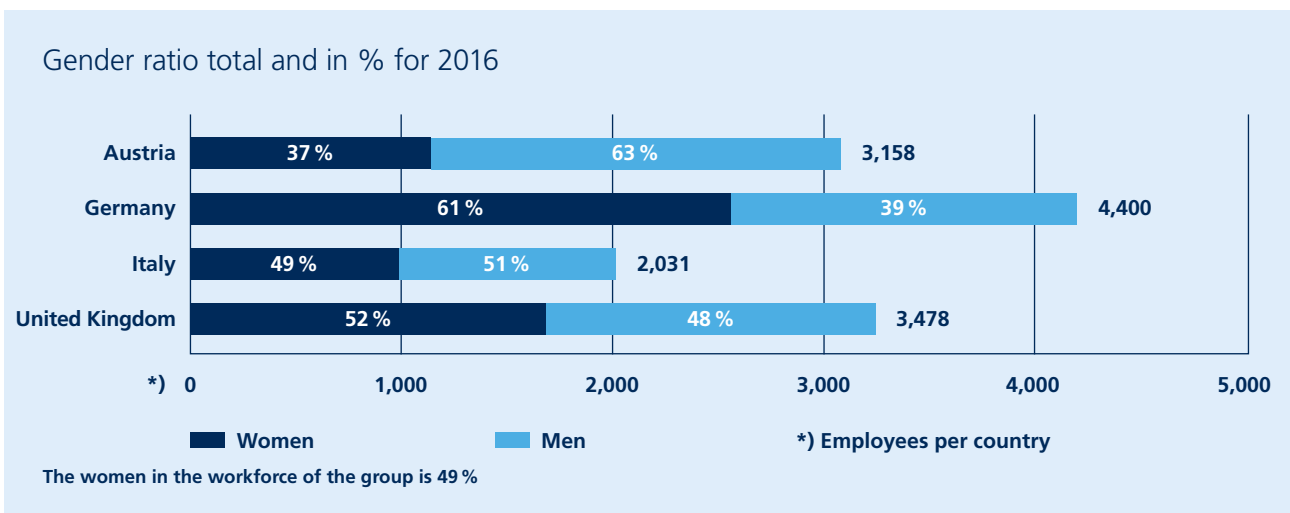
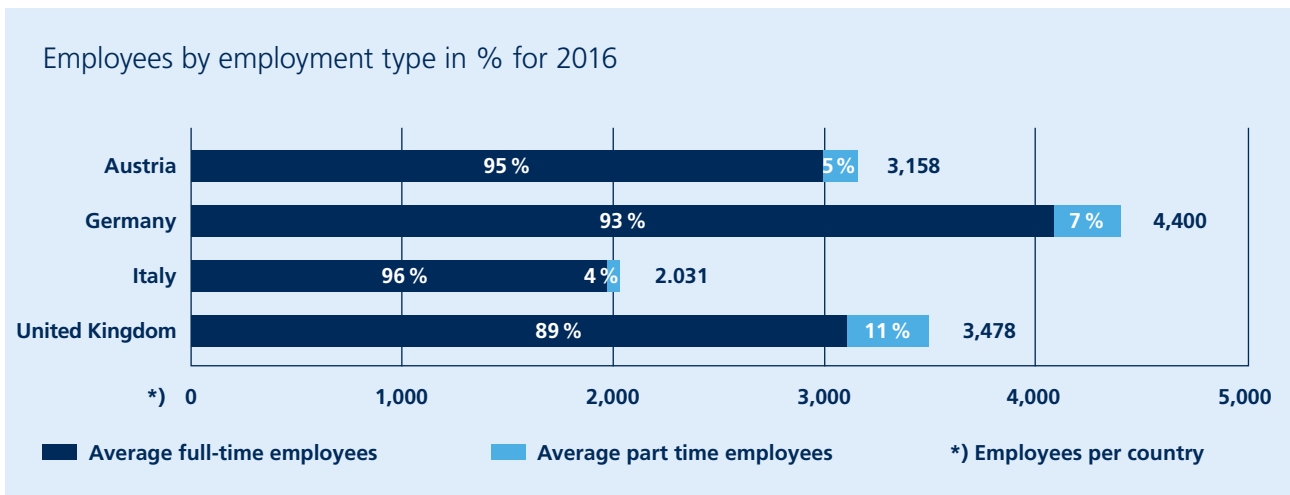
Our Next Steps

- Increased use of Massive Open Online Courses (MOOCs) for self-directed learning
- International rollout of our new human resource management software
- Further development of corporate health management in Germany
- Introduction of yearly employee evaluations for service personnel in Germany
- Carry out an employee satisfaction survey in Austria
- Creation of an integrated management system (IMS) in Austria
- Certification in accordance with OHSAS 18001 and then ISO 45001 in Austria

Enjoy Working with Us

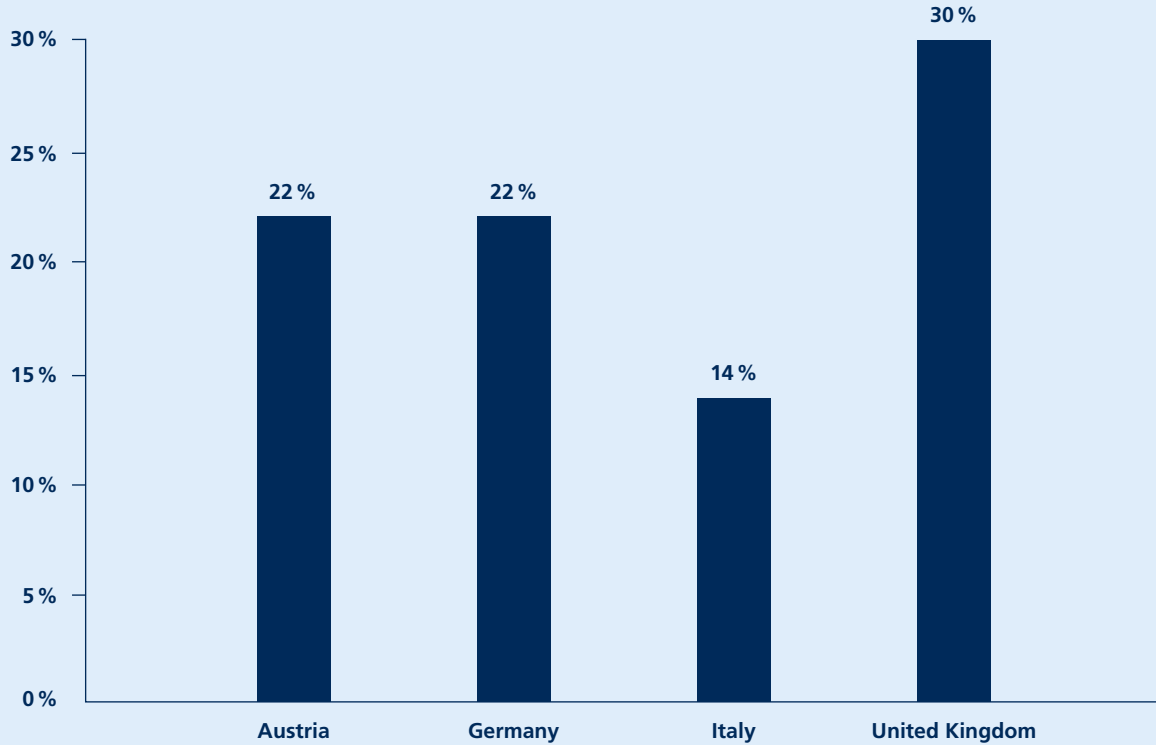
We offer our employees a healthy, secure and motivating work environment in all business segments, from manufacture to customer service.

The following graphs show key data of the CR-core countries Austria, Germany, Italy and United Kingdom. The table complements this information with further data of the CR-core countries, as well as other countries of the group. If not all companies mentioned in the reporting scope are covered, it will be explained in a footnote.



RESPONSIBILITY

Staff turnover in % for 2016



Data inclusive of changes within the group and retirements

United Kingdom: Data of Luxury Leisure and Gamestec Leisure Ltd.

The staff turnover is higher in locations with many operational branches compared to production locations (exemplary United Kingdom)

☑ G4-LA1

HR data of the CR core countries and other countries of the group for 2016

core countries

other countries

	Austria	Germany	Italy	United Kingdom	Spain	Croatia	Hungary	Netherlands
Employees total	3,158	4,400	2,031	3,478	789	1,006	418	264
Women in %	37 %	61 %	49 %	52 %	49 %	66 %	74 %	31 %
Men in %	63 %	39 %	51 %	48 %	51 %	34 %	26 %	69 %
Part time employees in %	5 %	7 %	4 %	11 %	1 %	8 %	1 %	32 %
Staff turnover in %	22 %	22 %	14 %	30 %	37 %	27 %	15 %	1 %
Average years of service	8	9	3	7	3	4	5	13
Average age	37	42	36	42	35	33	40	43
Training days total	3,542	1,592	683	n.a.	540	34	150	13

☑ G4-LA1, LA9, LA12, G4-10

Our employees are our most valuable capital. We have been able to write international success stories for over 36 years thanks to their skills, commitment and satisfaction. As one of the leading manufacturing and service companies in the technology and gaming industry, we are always on the lookout for talented people who want to innovate and shape the future with us. NOVOMATIC offers its employees a creative, secure working environment, exciting tasks, and the potential to develop their knowledge and skills.



Dr. Klaus Niedl
Head of Group HR at NOVOMATIC

“The fact that the age pyramid is tipping means it is increasingly difficult to find qualified young talent. This is connected to a wave of economic and societal complexity. In the end, this will create a new awareness of the important role employees play in achieving corporate goals. This brings with it new challenges, such

as new types of management, qualifications and simply the way we deal with people in the company. To quote Ken Robinson: “Human resources are like natural resources; they’re often buried deep. You have to go looking for them, they’re not just lying around on the surface.””


NOVOMATIC is active in numerous business segments, including manufacture, operating electronic casinos and sports betting offices, as well as providing online gaming. The company employs around 29,000 employees around the globe; over 3,000 of them work in Austria, our domestic market. Almost half of those work in the segments manufacture and research and development.

Due to the variety of business activities we engage in, we offer employment in a broad spectrum of professional areas, such as:

- Research and Development in gaming equipment and gamedesign areas
- Manufacture of gaming terminals and gaming equipment, across 13 locations worldwide

- Service in casinos and electronic casinos, as well as in licensed betting offices
- Business operations in the areas of human resources, controlling and finance, purchase, compliance, legal, corporate responsibility, and more.
- IT in the areas of IT security, company networking, data centers and business applications

In order to offer all our employees the best possible framework conditions for a healthy, safe and motivating work environment, we engage in numerous activities and regularly expand the number of training and further education courses on offer. We are particularly focused on current training content and training on the job, for example in the context of digitalization, or through expanding online training options.

 You can find information on NOVOMATIC as an employer here: www.novomatic.com/careers

We are not the only ones convinced that NOVOMATIC is an attractive employer, our external stakeholders have also confirmed this to be the case, as evidenced by the following awards:

berufundfamilie (career and family) audit

This government-certified seal of quality is awarded by the Austrian Federal Ministry of Families and Youth, and recognizes companies striving to achieve optimal family-friendly working conditions.

NOVOMATIC received the seal of quality in November 2015 and has set challenging goals that are continuously being implemented.



Award “Certificate since 2015 audit berufundfamilie”

best recruiter

This ranking recognizes the top employers amongst the 500 largest companies in Austria, Germany and Switzerland. Recruiting quality is examined based on various criteria in the areas of recruiting presence, online job offers, treatment of applicants and feedback from applicants. In 2016, NOVOMATIC received the Best Recruiter silver seal for the third time in a row.



Award "best recruiters" by Career

Leading Companies in Austria

Companies that stand out in terms of special services or areas of responsibility receive the Leading Companies in Austria honor, which allows them to describe themselves as a Leading Company ("Leitbetrieb"). The evaluation focuses on sustainable management, strong market and customer orientation, as well as consideration of employees, the environment and society by the company's management. NOVOMATIC is one of the 1,000 exemplary Austrian companies.



Award Leitbetriebe Austria

Workplace Health Promotion

The Austrian network "Betriebliche Gesundheitsförderung" (Network for workplace health promotion, or BGF), led by the Lower Austrian Regional Public Health Insurance ("Gebietskrankenkasse") set the goal of using a standardized certification process to help make company efforts in the area of corporate health promotion visible. The seal of quality is awarded to those companies that have implemented workplace health promotion in accordance with the quality criteria of the European Network for BFG (ENWHP). NOVOMATIC applied for the first time in 2016 for the seal of quality and was awarded by the Austrian network for workplace health promotion (BGF) for its Gumpoldskirchen location.



Seal of quality "Gesundheitsförderung BGF 2017 - 2019"

The following sections describe the highlights of our activities over the past year. These are just a few examples of the numerous measures taken across our entire Group of companies.

G4-DMA, G4-LA2

Training and Further Education

As a technology company, NOVOMATIC is constantly developing hardware and software systems. Its high levels of innovation and excellent specialists have driven NOVOMATIC to become one of the leading gaming technology companies in the world.

Education and training for our employees is of utmost importance to NOVOMATIC. We have a Learning & Development Team that deals with training challenges and services across all our departments and business segments. In the future, acquiring skills for the digital transformation, or Industry 4.0, will be a new aspect to consider for our staff.

In 2016, we introduced new human resource management software that supports NOVOMATIC with application management and the creation of an internal Group job market. We plan to roll out this software in other countries in 2017.

✔ G4-LA10

Programs for Trainees and People with High Potential

Last year, NOVOMATIC started a pilot program to encourage people with high potential. Entitled NOVOTalent, this two-year program is designed to steer employees identified as having special potential through three training pillars: Personal development, basic seminars – for example conflict management, project management, business administration/controlling – plus a specialization agreed with the relevant manager (for example data scientist).

Another highlight was the preparation and establishment of the Casino Arcade Management Trainee Program, with the goal of training new management personnel in the area of casino and arcade management. Nine trainees were selected from 372 applicants, to participate in an 18-month training program starting at the beginning of 2017.

Extensive Training and Further Education Opportunities

Our Austrian sports betting company, ADMIRAL Sportwetten (ASW), developed a newly designed training course for all facility employees in 2016. Development of the content took place across departments, to cover as many operational aspects as possible. The goal, in addition to updating employees' specialist knowledge, is to provide a platform for dialog and discussion.

In order to further develop, update, and improve the training content, the NOVOMATIC Group signed a framework contract with the Haufe Akademie. The education and training offered by Haufe, for example in the areas of management, languages, soft skills and IT training, are on offer to all employees via the NOVOAcademy training catalog, which is operated by the Haufe Akademie.



NOVOMATIC Education Catalog 2016

Apprentices Welcome

NOVOMATIC employs plenty of apprentices, who also have access to our special programs. One of these is the Apprentice Outdoors Event, which takes place every year. In 2016, 15 apprentices took part in the three-day event in July. In a series of workshops, they learned about diversity, corporate volunteering, conflict management, and other topics. In 2017, the event will be held again and the focus will be on a new topic.



Team building as part of the apprentice outdoor event



Company Day of Greentube

Diversity of Employees

The fact that we have around 29,000 employees in more than 40 countries speaks for itself. Diversity is an integral part of NOVOMATIC, and our international growth and acquisition of new business areas, for example, in the area of online gaming, is only going to increase our diversity in the future. 67 nationalities are represented at NOVOMATIC in Austria alone. In addition to Austrian and German citizens, we have, for example, employees from Hungary, Serbia, Germany and Bosnia-Herzegovina.

To ease the entry into NOVOMATIC for our employees across all locations, many of them with different languages and cultures, all new employees complete the e-learning module NOVOWelcome when they begin working for us. This introduction covers the history of NOVOMATIC, the NOVOMATIC employees, our production cycle, the core NOVOMATIC Group business areas, winning technology as a hallmark of our company, responsible gaming, as well as the contents of our Code of Conduct.

Promoting Diversity

Greentube, the NOVOMATIC Interactive division, offers a great example of promoting diversity, not because it is necessary, but because it is completely in line with its corporate goals. The NOVOMATIC subsidiary is a leading provider and operator of online and mobile gaming services in Europe, the USA and Australia. To stand out in a dynamic environment, innovation and know-how in terms of the latest trends and technologies is essential. This is why Greentube currently employs 550 employees from more than 50 countries. The annual Company Day, an event for all staff members, is used to bring this diverse group together.



NOVOMATIC Lottery Solutions Girls in ICT Day 2016

Women in Technology

Our subsidiary NOVOMATIC Lottery Solutions (NLS), with headquarters in Austria and Iceland, is another example of diversity. NLS took part, for the second time, in the international “Girls in ICT Day” ⁽ⁱ⁾, an initiative run by the United Nations International Telecommunications Union (UN ITU). Women with technical training from the Iceland offices paired up with female students from the area and showed them what a workday at NLS is like. The goal is to get girls excited about studying and later working in the information and telecommunications area.

⁽ⁱ⁾ UN ITU Girls in ICT Day: www.itu.int

Focus on Employer Branding

To recruit the best minds and thereby increase diversity at our company, we are always developing our employer branding. In 2016, we made our careers website more user friendly and transparent, worked with universities and technical colleges, involved ourselves in regional mechatronic cluster initiatives, and supported the Robot Challenge ⁽ⁱ⁾ for the first time in Vienna, which is the largest international championship for individually built, autonomous and mobile robots in Europe. Over the next year, NOVOMATIC will increase its transparency and stakeholder dialog with a new Facebook presence, by appearing more often on employer platforms such as Kununu ⁽ⁱ⁾ and Glassdoor, ⁽ⁱ⁾ but also by providing more information about how we act as an employer.

⁽ⁱ⁾ RobotChallenge 2016: www.robotchallenge.org

⁽ⁱ⁾ NOVOMATIC on Kununu:
www.kununu.com/at/novomatic

⁽ⁱ⁾ NOVOMATIC on Glassdoor:
www.glassdoor.com/Jobs



NOVOMATIC AG and NOVOMATIC Gaming Industries GmbH receive the NESTOR^{GOLD} certificate from the minister of social affairs Alois Stöger

Employer of Young and Old

As diversity does not just apply to geographical and cultural variety, but also to working together across generations, we made an effort to expand our activities for creating an aging and intergenerational appropriate workplace through the NESTOR^{GOLD} certification ⁽ⁱ⁾. In 2016, we received the NESTOR^{GOLD} certificate for our efforts in this area by Austrian Minister for Social Affairs, Alois Stöger. The measures for receiving and maintaining the certificate include, among other things, NOVOTalk, a guideline for employee conversations, tailored e-learning education and training measures, allowing students to carry out mandatory internships at NOVOMATIC, introducing a partial retirement model, creating the NOVOSilver Family pensioners network, and more. In addition to this certificate, the average period of employment, for example in Austria and Germany, which stands at

8 years, as well as the average age of staff in our core markets, which is around 40 years old, simply provide more proof that NOVOMATIC is a secure and well-loved company to work at.

⁽ⁱ⁾ NESTOR^{GOLD} certificate:

www.sozialministerium.at/siteEN/Ministry/Seal_of_Quality/NESTOR_GOLD/

Work-Life-Balance

We do not consider the compatibility of family and career to be a "nice to have" option, but rather an additional building block towards ensuring NOVOMATIC is an attractive employer. This is not just regarding part-time and maternity leave models, but also keeping terms of employment flexible so they can be adjusted to suit an employee's current time of life.

Career and family

With the basic certificate audit berufundfamilie (career and family), which was awarded in 2015, NOVOMATIC carried out another important step towards improving numerous work-life balance aspects, such as compatibility with parental and maternity management, career management and associated part-time models, holiday daycare for children, and more. In 2018, the auditing process for acquiring the full audit berufundfamilie certificate will begin.

In terms of childcare, NOVOMATIC in 2016 began offering organized holiday care for children aged 6 to 10. Childcare from a variety of professional organizations was supported financially for a duration of two weeks. This program will continue in 2017, and the age group will be expanded to include children aged 3 to 6.

Support at Difficult Times

Another measure, introduced at the end of 2015, is the provision of external counseling for employees in a difficult situation. NOVOHelp offers anonymous, free and professional counseling through an external hotline, which is manned by a team of doctors, psychologists and psychotherapists. Every employee receives a brochure with details on NOVOHelp when they join the company. The contents are also available to everyone via the company intranet. In 2016, we were able to help many employees through the hotline, for example during break-ups and divorces, with problems stemming from financial burdens, with guidance for family problems, issues surrounding relatives requiring care and, of course, grief counseling. We also carried out workplace dialogs on the subjects of overwork and dealing with stress, fears and conflicts. We expect that this service will support the performance, health and personal productivity of our employees and executives.



Info flyer for the help hotline NOVOHelp

Health Management and Occupational Safety

A healthy and safe workplace is the basic prerequisite for productive and motivated employees. This is why we value the health and safety of our staff, going above and beyond the legal requirements to protect it. In addition to running electronic casinos, casinos and sports betting facilities, NOVOMATIC is one of the leading producers of gaming equipment, with a high level of vertical integration. For this reason, we particularly focus on aspects of environmental and health protection.

In our Austrian headquarters, experts on occupational safety, health management, environmental protection, quality management, as well as a company doctor, work closely together to implement coordinated measures for avoiding accidents and maintaining good health.

Further Development

For 2017, we plan on further development with the ultimate goal of an integrated management system (IMS) at our Gumpoldskirchen location in Austria. In preparation, in 2016, we carried out integrated audits for quality, environmental, occupational safety and health management. We also implemented a new software solution for evaluating legal compliance in the areas of environmental protection and occupational safety.



NOVO Safety Day at Gumpoldskirchen headquarters

We achieved further success in 2016 by training more than 100 executives on acting in accordance with the law. We focused on initial training in the areas of occupational safety as well as compliance. A new training concept, for example for forklift and crane operators, or for working with dangerous substances, is intended to ensure that everyone is acting in accordance with the law.

In Austria, the occupational protection management system, in accordance with the international standard OHSAS 18001, was further developed. We plan on carrying out a level 1 audit on OHSAS 18001 in 2017, based on the systemization of safety and health activities, as well as improvement and transparency of our processes in 2016. This will provide the basis for full certification, or for switching to the new ISO 45001 standard.

In 2016, we also began further improvements for reintegrating employees after long periods of sick leave. To do so, we developed a reintegration model coordinated with both Group Human Resources and occupational medicine professionals, which is put into action when an employee is on sick leave for an extended period. Several salaried employees, who are currently on extended sick leave, are supervised by an interdisciplinary team under this model, in order to ease their integration back into the daily work routine.

The LÖWEN Group in Germany introduced professional health management back in 2015. In 2016, a dedicated team used this as a base to structurally implement measures to maintain and promote health. This included, for example, first-aid training, health days together with the Techniker Krankenkasse (health insurance provider for technicians), health checks by the company doctor, the offer of company sports and massages, cooperation with fitness facilities, sports events such as bowling and jogging, as well as the offer of flu vaccines for employees. In 2017, we plan to introduce a professional counseling service for employees in difficult circumstances, similar to the NOVHelp counseling service.

Health and Safety Days

The NOVO Safety Day, held for the third time in August 2016, was once more attended by hundreds of employees. The multi-faceted program dealt with security and safety issues, such as first-aid and environmental and fire protection, self-defense, as well as a spectacularly simulated rescue from the 4th floor of our headquarters in Gumpoldskirchen.

The Dutch subsidiary, NOVOMATIC Netherlands, reworked the emergency planning for its new office in Waalwijk in 2016. Employees received training in the new processes and carried out an emergency practice run.



Opening of NOVOMATIC Health Day from left to right: Michael Buchleitner, Ferdinand Köck, Dr. Monika Poeckh-Racek, Dr. Gerhard Schörg, Stefan Krenn

Another highlight was the second NOVOMATIC Health Day, which for the first time was hosted at two locations in Austria, at our Gumpoldskirchen headquarters and the location of ADMIRAL Casinos & Entertainment in Wiener Neudorf. The program included presentations on stress management, work-life balance, healthy nutrition and personal motivation, as well as numerous workshops for active participation

in ergotherapy, shiatsu, business yoga, zumba, acupuncture, back training, and more. A health street, as well as healthy-back bus, rounded out the day, both providing quick checks for general health, muscle power and posture. The Health Day also saw the start of ADMIRALFit, the jogging and training project for ACE in Austria.



Our Activities a Summary



Our Challenges

- Digitalization as a means to ecological efficiency
- Increasing ecological efficiency in our production
- Strengthening ecological awareness and supporting ecological action on the part of our employees



Our Strategic Goals

- Continuously improving energy and resource efficiency during production
- Measuring and reducing the resource, energy and emission footprint of the NOVOMATIC AG Group
- Supporting the Group-wide exchange of good practice
- Implementing and certifying new standards in environmental protection, e.g. ISO 14001:2015
- Ensuring legal compliance



Highlights from 2016

The following measures were put into place for our production location in Gumpoldskirchen, Austria:

- Successful ISO 14001:2005 monitoring audit
- Implementation of a new legal database
- Completion of integrated management audit between quality, environmental and health & safety management
- High energy savings in comparison to the previous year



Our Next Steps

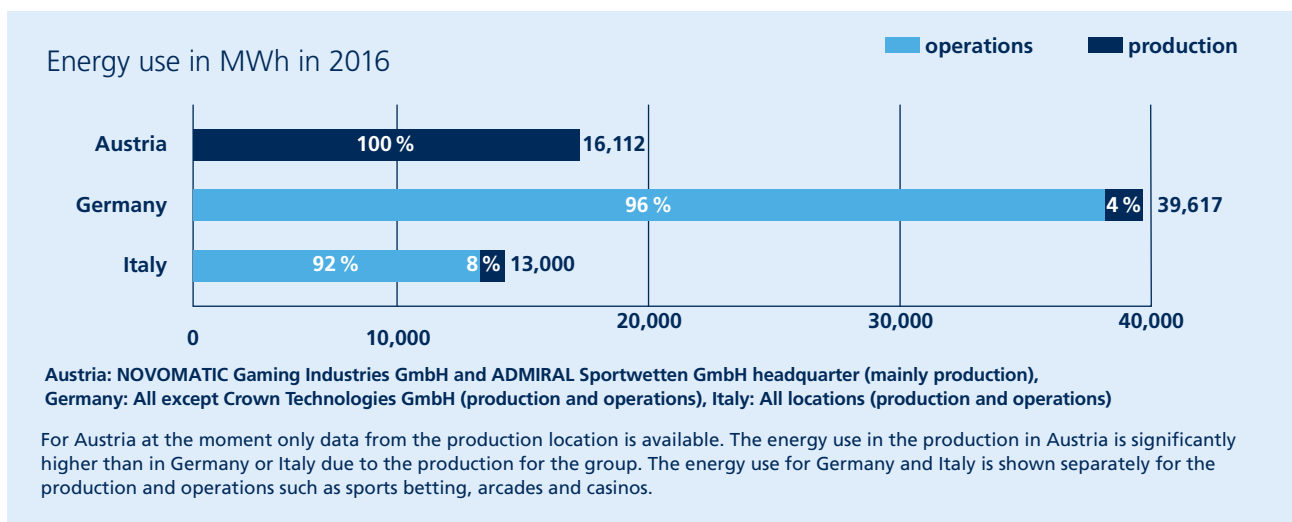
These measures apply to activities in Austria:

- Continue to merge environmental management into an integrated management system (IMS)
- Recertification for ISO 14001:2005 and preparation for ISO 14001:2015
- Ensure completeness and evaluation of legal requirements
- Integrate new factories in the waste management system

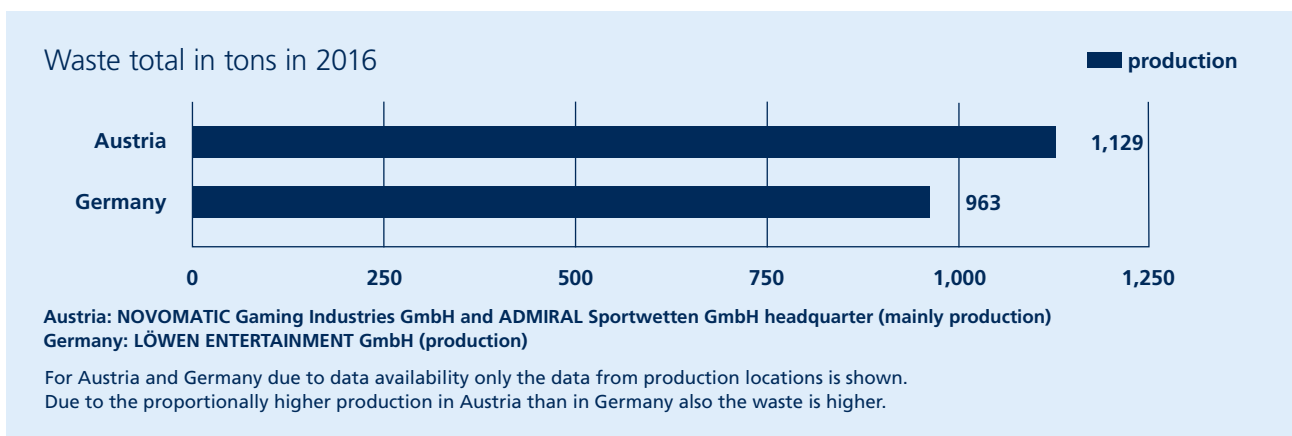
Going Green

When manufacturing our products and running our locations, our goal is to minimize energy and resource use and therefore reduce emissions and waste, as far as possible.

The following graphs show key data of the CR-core countries Austria, Germany and for energy also Italy. The table complements this information with further data of the CR-core countries including United Kingdom, as well as other countries of the group. If not all companies mentioned in the reporting scope are covered it will be explained in a footnote.

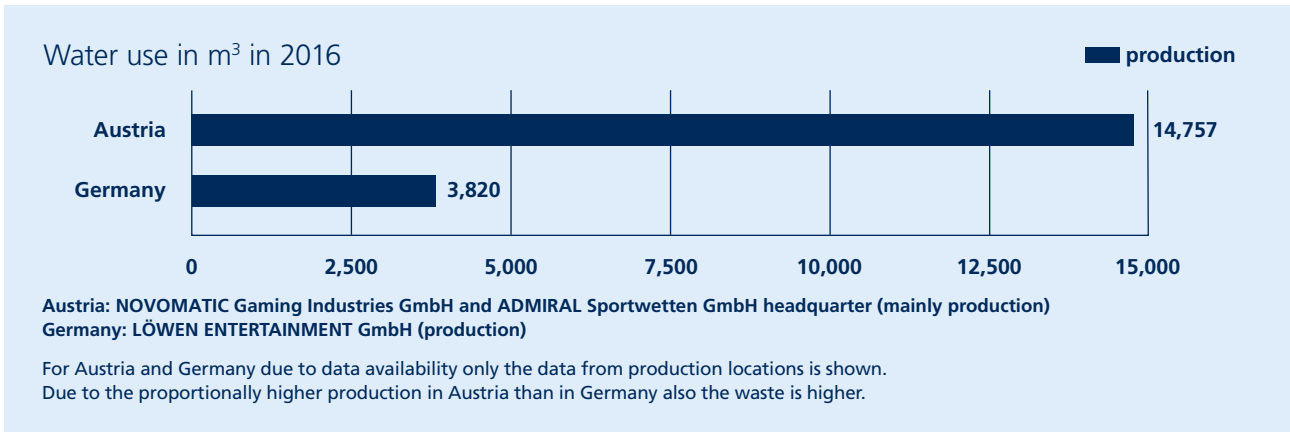


✓ G4-EN3



✓ G4-EN23

RESPONSIBILITY



✓ G4-EN8

Environmental data in CR core countries and other countries in the group in 2016

	core countries				other countries		
	Austria	Germany	Italy	United Kingdom	Spain	Croatia	Hungary
Energy use in MWh	16,112	39,617	13,000	1,289	3,823	9,551	5,002
Water use in m³	14,757	3,820	4,400	n.f.	14,568	16,527	16,483
Waste total in t	1,129	963	139	n.f.	n.f.	27	302
Waste non-hazardous in t	1,051	743	123	n.f.			
Waste hazardous in t	78	220	16	n.f.			

Austria: NOVOMATIC Gaming Industries GmbH and ADMIRAL Sportwetten GmbH headquarter, **Germany:** LÖWEN ENTERTAINMENT GmbH,
Other countries: Complete to extend data was available

Historically, the success of the NOVOMATIC Group has been based on innovation and the quality of our products. This includes all types of gaming technology, such as gaming terminals, gaming cabinets, video lottery terminals (VLTs), lottery technology, video poker devices, multiplayer terminals, high-end media solutions (i) and end-to-end system solutions (i). With vertical integration of more than 90 percent, which is unique to the industry, the production stages are carried out solely in NOVOMATIC's 13 production centers and 20 technology centers. At our headquarters in Gumpoldskirchen in Austria, for example, we have our own production departments, such as a joinery, print shop, metal working shop, plastics manufacturing plant and circuit board assembly line. Assembly and quality control all take place in-house.

(i) You find information on our Gaming Products here: www.novomatic.com/en/products/gaming

(i) You find information on our Media Technology Solutions here: www.novomatic-mt.com

Across the globe, we run production locations in 10 countries, including Austria, Hungary, the Czech Republic, Germany, the Netherlands, and other locations in Europe and South America. Over the next few years, we expect due to the constant growth of NOVOMATIC Group, to add more production locations. Worldwide, we manufactured ten thousand gaming and betting terminals in 2016. Logistics is run in part using company-owned trucks, and our service technicians make use of company-owned cars. We, therefore, make direct use of numerous resources, from materials and primary products to electrical parts and technological components, and use resources such as electricity, water, thermal and cooling power, and fuel for our production and logistic processes. Due to our global expansion, business flights also caused the emission of around 3,000 tonnes of CO₂ in 2016. All these activities contribute to our environmental footprint, which we seek to reduce continuously.



Helmut Wenger
Head of Production

“NOVOMATIC has high standards at our production locations with regards to waste reduction, resource conservation and energy efficiency. Used materials and devices are repaired in order to reuse them.”

In addition to the production of high-tech gaming equipment, NOVOMATIC also operates electronic casinos, land-based casinos, sports betting facilities, as well as offering comprehensive solutions in the areas of lottery, sports betting, and online, mobile, and social gaming. Globally, NOVOMATIC runs more than 1,800 gaming facilities ⁽ⁱ⁾, including the Swiss Casinos in Mendrisio, Locarno and Bad Ragaz, as well as Spielbank Berlin, the casino with the largest turnover in Germany. In terms of our operative business activities, environmental effects are lower than those related to production, but nevertheless, we strive to minimize our environmental impact and use of resources as much as possible.

⁽ⁱ⁾ You find information on our Lottery Solutions here: www.novomaticls.com

⁽ⁱ⁾ You find information on our Interactive Gaming Products here: www.greentube.com

⁽ⁱ⁾ You find information on our Sports Betting Solutions here: www.novomatic-sbs.com

In production and operations, the interests and needs of our customers have the highest priority. However, we believe it is our job to ensure that this goal is reached while minimizing our use of resources and energy. This is why we have implemented a variety of measures to reduce our ecological footprint. To do so, we make use of numerous standards and tools and have implemented environmental management in many countries in accordance with the international ISO 14000 standard. Finally, we set ecological goals, the achievement of which, for example, is strictly controlled within the framework of the European Energy Efficiency Act.

The following sections describe the highlights of our activities over the past few years. These are just a few examples of the numerous measures taken across our entire Corporate Group. ⁽ⁱ⁾ G4-DMA, EN27

Energy Efficiency

Many of our corporate activities use energy in the form of electricity, as well as heating and cooling services (e.g. district heating), and we make use of fuel, on the one hand directly for our vehicle fleet, and on the other indirectly for logistics and transporting our products to customers. In doing so, we create emissions, both directly and indirectly, which we aim to minimize as much as it is possible.

At our subsidiary NOVOMATIC Gaming Industries, our headquarters for manufacturing and administration, in Gumpoldskirchen in Austria, we have implemented a series of measures within the framework of our environmental management to optimize energy use. The largest energy savings in 2016 were due to the optimization of ventilation and air conditioning, reduction of leaks in the compressed air system, more efficient lighting in the manufacturing area, the replacement of fluorescent lighting with LEDs, and the modernization of our vehicle fleet.

Energy efficiency measures were able to reduce CO₂ emissions at our Gumpoldskirchen location by 116 tonnes in the year 2016. The CO₂ emissions balance for the year under review yielded a CO₂ impact of around 7,700 tonnes for the Gumpoldskirchen location.

At our ADMIRAL Sportwetten facilities, energy use was reduced by around 90 MWh through renovation measures, as well as switching to more efficient lighting and screens. This also reduced CO₂ emissions by 2.5 tonnes.

We also were able to reduce energy use and emissions in 2016 with regards to the vehicle fleet by using a few key strategies. Employees in the research and development department used their own initiative to create a platform for carpooling. Not only that, a gas-saving folder was issued to all employees at our Gumpoldskirchen location, and our professional drivers took part in training on reducing gas use. Our fleet vehicles are always being modernized, with older vehicles replaced by newer, more efficient models. In the year under review, 19 new vehicles were purchased in Austria, which represents an improvement in the average standard consumption of our vehicle fleet from 5.1 liters per 100 km to 3.8 liters per 100 km. This will, for example, save 22,102 tonnes of CO₂ emissions per year. In total, en-

ergy efficiency measures in Austria alone in 2016 were able to save more than EUR 80,000 through direct energy costs and canceled installment payments within the framework of the Energy Efficiency Act.

In 2016, the LÖWEN Group expanded its certification for the ISO 50001 standard to all locations. This standard determines the requirements for the use of an energy management system. With help from this standard, the LÖWEN Group companies have documented an improvement in their emissions balance and a reduction in CO₂ emissions. In addition, foundations were laid that can be used for evaluating the future effectiveness of technological changes with regards to further improving the energy balance.

✔ G4-EN6, EN7, EN15, EN30

Resource Conservation and Recycling

Due to our high levels of vertical integration and the use of numerous different commodities, materials and primary products in our production, the conservation of resources is more than just about complying with local environmental laws or goodwill but is, in fact, a significant cost factor across all measures. The lower our waste rates are, for example, the less we pay for waste management or the purchase of commodities that we don't need. Economics and ecological efficiency go hand in hand.

Waste and resource management is strictly controlled at all our production locations. We, therefore, have waste and resource management that is based on local conditions and requirements at all our locations. Some of our locations are certified in accordance with the ISO 14001 standard.

At our production location in Gumpoldskirchen, Austria, we focused in 2016 on the correct sorting of waste materials. To foster this, monthly environmental tips were sent via intranet, and signs were put up near garbage bins. The effectiveness of these measures is checked through audits and inspections. In 2016, structured waste sorting was rolled out across the entire Gumpoldskirchen location, including our subsidiary ADMIRAL Sportwetten. We also pay attention to safety. For example, we have now implemented short-circuit proof storage of old batteries in containers we produced ourselves.

Another example of the effect of waste sorting measures is NOVOMATIC Lottery Solutions (NLS) in Iceland, who removed all private waste containers from its offices and replaced them with modern recycling stations. The result was a reduction in residual waste, and therefore a rise in properly sorted waste.



NOVOMATIC employee sorting waste

NOVOMATIC Italia also focused on recycling. The company attempted to reduce the amount of electronic waste created by the machines they sell and entered into a partnership with the national consortium for waste collection and recycling, COBAT. The goal for 2017 is to combine the switch to a new generation of slot machines with recycling of valuable resources by COBAT ⓘ.

ⓘ COBAT – Consorzio Nazionale Raccolta e Riciclo
www.cobat.it

When it comes to resource conservation, there are continual small improvements to report, from the use of commodities to waste prevention. A good example of one of these measures is the modernization of the washbasin faucets at the Hotel Admiral am Kurpark in Baden near Vienna. Old washbasin faucets, with a water flow rate of around 12 liters/minute and shower heads with a rate of around 16 liters/minute were replaced with more efficient faucets with a rate of around 6 liters/minute water consumption and shower heads with around 10 liters/minute. This reduced water consumption in each case by close to 50 and 40 percent, respectively. Fewer liters of hot water means lower energy consumption and a CO₂ emissions reduction of around 2.5 tonnes per year.

✔ G4-EN1

Recyclability

Once waste has been collected and sorted, we recycle this, wherever possible. For example, waste from 3D printers, polystyrene, perspex, cartons, scrap metal, electronic components, used glass and toner is collected and given to external waste removers for recycling. Thanks to our sorted collection of recyclable material, we were able to gain around EUR 60,000 from our disposal partners.

We also do our best, where it is technically possible in terms of quality, to reuse materials or machine components in-house after extensive testing. For this reason, at our production location in Hungary in 2016, we processed around 6,000 monitors, 2,000 ticket printers and more than 9,000 bill validators, and used them in production orders. In order that our customers have access to as many processed components as possible, we extract them from old machines before any particular customer request is made, and put them through the refurbishment process. Not only that, depending on customer requirements, entire used devices can be repaired. In the past year, a total of 8,000 used devices were refurbished, mostly in our sister factory in the Czech Republic, so that they can continue to be used for many years to come.

We also recycle waste materials in the Gumpoldskirchen print shop. Tasks at the print shop include printing decorative elements for gaming machines, but also internal print runs for office and advertising material. For example, last year, 800 calendars were printed on a total of 1000 m² of cardboard, and many of them were collected for recycling when the new calendars were issued. As the paper was added to the recycled paper, almost half of cardboard, was able to be used again for printing the new calendars. Not only that, accrued remains of perspex pieces from manufacture are used again as protection for circuit boards.



NOVOMATIC employee assembling a gaming terminal



Our Activities a Summary



Our Challenges

- Social commitment, donations and sponsoring activities in harmony with our corporate values
- Good relationships and intensive contact with research and consulting facilities in the area of addiction prevention



Our Strategic Goals

- Regular adaptation of Group sponsoring activities and donations guidelines
- Supporting our employees' volunteer work



Highlights from 2016

- Preparation for the NOVOTeam Corporate Volunteering initiative
- ADMIRAL is the new sponsoring partner for Rhein-Neckar Löwen Deutschland
- ADMIRAL is the new major partner of the Austrian Basketball Union (OEBV)
- Sponsoring of the "Ball of Sports" hosted by Deutsche Sportshilfe (German Sports Aid)
- Sponsoring of numerous events in the Novomatic Forum
- Partnership with the Vienna State Opera for training young talent



Our Next Steps

- Revision of the sponsoring activities and donations guideline for NOVOMATIC AG
- Start of the "NOVOTeam" Corporate Volunteering program
- Joint focus of activities in the group while being locally flexible

Active in the Community

We as a company, as well as our employees, understand that we are active members of society, which we support through volunteer work, sponsoring activities and donations.



Stefan Krenn
General Secretary of NOVOMATIC AG

“As one of the world’s leading gaming technology companies, as well as a leading company in Austria, we are very aware of our responsibility. We therefore actively support selected initiatives in order to contribute to sustainable social development. We take personal contact with our sponsoring partners, such as

sports clubs and culture and science facilities, very seriously.”

Companies express their actions as members of society through social commitment, sponsoring activities and also donations. Corporate Responsibility (CR) is, therefore, the holistic and – from the perspective of stakeholder expectations – responsible management of key topics within the meaning of sustainable development. Modern CR management is aimed at the strategic, structured and integrated management of non-financial value drivers. It is closely associated with the core business and value creation of the company, focusing on the value contribution of ecological (e.g. protecting the environment and conserving resources), social (e.g. employee health and safety) and so-called governance aspects, such as compliance and anti-corruption.

Sustainable and efficient CR management is founded on the balance between corporate activity and the requirements of external stakeholders. The important thing here is “how” a company operates and considers the interests of its stakeholders. In our view, sustainability relates just as much to the efficient use of resources and avoiding negative environmental effects as it does to assuming social responsibility. Sponsoring partnerships and donations based on our corporate values and the needs of our stakeholders round off this management approach.

NOVOMATIC endeavors, through long-term sponsoring partnerships, targeted donations and voluntary work embedded in the local community, to make a positive contribution to social development. A sustainable impact is more important to us than short-lived attention. Team spirit, commitment, innovation and a sense of art and culture are examples of values that we support with our sponsoring focus.

Corporate Responsibility is more than CSR

The principle of corporate social responsibility is often associated with corporate responsibility management or wrongly used as a synonym. The reason for this confusion is mostly due to the word “social” in the term CSR. In the German-speaking world, it is wrongly understood to mean “do something good and talk about it” or “give something as a company back to society”. This is, however, is only one part of corporate responsibility management. In this context, “social” refers to society as a whole. Sustainability here relates to the efficient use of resources and avoiding negative environmental effects. CSR represents the aspect of social responsibility and, in the German-speaking world, normally only refers to the aspects of sponsoring, donations and volunteering.

The balancing act of reconciling different interests




Local connections and an according regional involvement on the one hand vs. our international orientation as a gaming technology group with global operations, on the other.



Our need for long-term and stable partnerships with trustworthy partners on the one hand vs. calls for short-term donations in emergency situations, e.g. in the case of natural catastrophes, on the other.



The perceived expectation among the public to share corporate success with the community vs. the legitimate entitlement to secure the economic health of the company for the future and therefore being selective with regard to sponsoring activities.

In order to create a close relationship between our volunteering, sponsoring, and donation activities and our company values, strategic CR orientation, and the needs of external stakeholders, we have developed a Group-wide Sponsoring Policy. It provides clear boundaries and orientation for all our activities in this area. This policy is revised at regular intervals, and will be revised again in 2017. The goal is to remain true to our international presence, strategic CR aspects, and changing stakeholder requirements. We take into account feedback from our stakeholder dialog as well as our existing donation and sponsoring activity projects. We strive to actively deal with social trends and to support developments that are, in our opinion, both concrete and positive. In addition, plans are underway to develop a Group CR strategy.  G4-DMA

Our sponsoring activity focus on

- Prevention and player protection
- Science and research
- Art and culture
- Sport

Our principles

- Orientation on strategic Group goals
- Long-term cooperation before short-term activism
- Long-term effects

We receive many requests for support, and we always do our best to share our available resources as fairly as possible. To guarantee this and in accordance with our goal to remain transparent, we always place our focus on listed strategic donations and sponsoring activities, as well as significant CR subjects.

The following sections describe the highlights of our activities over the past few years. These are just a few examples of the numerous measures taken across our entire Group of companies.

Sponsoring

Sponsoring activities, to us, means more than just a one-off donation of goods or money. We focus on long-term cooperation with our sponsoring partners, such as sports clubs as well as cultural and scientific institutions. Within the framework of a partnership, the goals of which are long-term and sustainable, NOVOMATIC provides, in addition to money and equipment, its experience, know-how and of course the time and enthusiasm of its employees. Needless to say, this also includes corporate volunteering, which is carried out by our employees with our support.

NOVOMATIC supports numerous projects, initiatives and organizations in the listed focus areas. In Austria, for example, in the area of sports, this includes the Vienna Night Run, the Austrian Tennis State Championships, the National Basketball League, the National Basketball team and the ÖFB Samsung Cup. In the areas of science, research and general societal discourse, we support, for example, Pro Mente (an Austrian mental health charity), and work together with ecoplus, the Financial Agency of Lower Austria, on the Enterprise 4.0 initiative. In addition, we value international cooperation between companies, which is why we support, among others, the Vienna Economic Forum and the Europa Forum Wachau. Our social commitment is expressed, for example, by donating to Katastrophenhilfe Österreich (an organization in Austria that provides help in emergencies), Licht ins Dunkel (support for disabled children and their families), and CliniClowns (clowns visiting sick children).






From left to right: Ambassador (ret.) Dr. Elena Kirtcheva, Harald Neumann, Dr. Erhard Busek

Art and Culture

A special focus is on the areas of art and culture, where we support numerous regional cultural initiatives, such as the Kulturregion Niederösterreich, the “Wir sind Wien Festival”, the Baden Theater and the Tschauner Theater. We have been partners with the Vienna State Opera since 2008, where our scholarship program supports young vocal talent. This support allowed current opera stars to make their name on the big stage right at the beginning of their careers. Another highlight of our support for young talent in the Vienna landmark on Ringstrasse is our sponsorship of the Ballet Academy at the Vienna State Opera; the Academy was founded in 1771, and we added our support in 2015. We support talented children and young adults currently in training by providing them with scholarships. The focus is on encouraging young talent and providing the best possible preparation for an international career.

Novomatic Forum

The activities and events at the Novomatic Forum in Vienna, Austria, also reflect the goals and principles of our sponsoring strategy . The Novomatic Forum is a unique Art Nouveau building in the center of Vienna, which offers space for events, workshops, ideas, intensive dialog, cultural entertainment and culinary delights. More than 200 events take place at the Novomatic Forum every year, and selected events were supported last year by NOVOMATIC. A great example is the so called “unconference” held by the diversity camp Vienna 2016, in which subjects are chosen and discussed by the audience regarding current topics such as diversity, inclusion, human resources, equal opportunities, accessibility, marketing and CSR, often leading to an intensive exchange of ideas. 

 Website of Novomatic Forum:
www.novomaticforum.com

 More information on diversitycamp 2017:
www.diversitycamp.at



Novomatic Forum in Vienna



Discussion at diversitycamp 2016



Handover of the Paralympics-awards at the medal party of the Olympic games and Paralympics 2016

Sport

As of 2016, ADMIRAL Sportwetten is the major partner of the Austrian national basketball team (OEBV). ADMIRAL will accompany OEBV not just during qualifying games for the men's European Championship in 2017, but also during all their other activities up to 2018.

A yearly highlight from LÖWEN ENTERTAINMENT, our largest subsidiary in Germany, is support for Paralympic bonuses for athletes belonging to Deutscher Behindertensportverband (German Handicapped Sports Association) as part of support for the German Sports Aid Foundation. We support successful German Handicapped Sports Association athletes that have won medals at the Paralympics. In 2016, as part of this



International Stadium Festival Berlin (ISTAF) 2016

program, NOVOMATIC supported bonuses from the German Sports Aid Foundation for 57 medals won by successful members of the German Olympic team at the Paralympics in Rio de Janeiro in 2016. Christian Arras, Chairman of the Management at LÖWEN ENTERTAINMENT, presented the bonuses to the medal winners as part of a medal party for the Olympic and Paralympic games at the Chancellery in Berlin. According to Christian Arras, this prize represents our support of values such as team spirit, enthusiasm, willingness to get involved, fairness and the drive to succeed.

Together with Spielbank Berlin, NOVOMATIC has supported the International Stadium Festival (Internationale Stadionfest Berlin, ISTAF) for several years. This event is the oldest and most well-attended track and field meet in the world. Last year, as in previous years, the ISTAF took place on September 3 in Berlin's Olympic Stadium and featured a total of 19 German Olympic champions.

Our German casino subsidiaries, specifically Spielbank Berlin and Kurhessische Spielbank Kassel / Bad Wildungen, as well as our casino holding SIM Spielbanken, focused last year on sponsoring activities and donations in the area of sports projects. In addition to large events, they also sponsored

community gatherings, such as the Hoffest (Courtyard Festival) hosted by the mayor of Berlin, charitable events such as the AIDS Gala in Berlin, and also numerous local sporting clubs, particularly for team sports. Examples include the Kassel Huskies (ice hockey), FC Union Berlin (soccer), Hertha BSC Berlin (soccer) and SCC Berlin (volleyball).

In addition, NOVOMATIC has been supporting the German Sports Aid Foundation for years, along with its "Ball of Sports" event, which took place in 2016 in Wiesbaden. ⁱ This event, hosted by the German Sports Aid Foundation, is one of the most important social events of the year in Germany. Around 1,800 guests from the world of sports, finance, politics, culture and the media meet once a year at this excellent event to support high-performance sports in Germany. Last year, NOVOMATIC was present with an active darts station.

ⁱ Ball of Sports: www.sporthilfe.de



NOVOMATIC darts station at Ball of Sports 2016

LÖWEN ENTERTAINMENT is also active in the world of sports sponsoring, and its ADMIRAL brand has been the main sponsor of the Rhein-Neckar Löwen handball club since the middle of last year. ⓘ The Löwen were the German handball champions for the 2015/2016 season. As part of this sponsorship, LÖWEN ENTERTAINMENT also supported the "Löwenherz" (Lion heart) social project. For this project, the Rhein-Neckar Löwen created a platform for sports, finance and media professionals to come together and learn about social projects in the area, and support them if they choose.

ⓘ Rhein-Neckar Löwen: www.rhein-neckar-loewen.de

NOVOMATIC Hungaria, in addition to sponsoring activities for the Red Cross and other civil protection organizations, is also focusing on sports, and supports both the NOVOMATIC Arena Sopron, ⓘ which bears its name, as well as Hungary's largest sport and soccer stadium "Groupama Arena – FTC Stadion".

ⓘ NOVOMATIC Arena Sopron: www.mkbarenasopron.hu

INTERIGRE, who runs the ADMIRAL gaming facilities in Croatia, has been the major sponsor of the women's Bowling Club Admiral (Kuglacki klub Admiral Zagreb) for the last

two years. The club was founded in 1948, with the goal of making bowling an attractive sport for women. ⓘ The club was founded in 1948, with the goal of making bowling an attractive sport for women. We plan to continue to support these activities as part of our diversity management.

ⓘ Women bowling club Admiral:
hr-hr.facebook.com/kkadmiral

Volunteering

In terms of corporate volunteering, we plan to build on preparations made in Austria last year with a project titled NOVOTeam, which will start corporate volunteering projects at our Austrian companies NOVOMATIC Gaming Industries and Admiral Casinos & Entertainment in 2017. The goal of this initiative is to enter long-term partnerships with different charity organizations, to support them through joint projects in the form of "action days" or project periods. This initiative is designed to appeal to those employees who, for example, due to hectic family life, cannot take part in volunteering activities in their free time. These projects will be implemented during our employees' working hours.

NOVOTeam

ZUSAMMEN SIND WIR STARK



LÖWEN ENTERTAINMENT in Germany is also active in corporate volunteering, with the “LÖWEN apprentices help” initiative. The initiative was started in 2015, and in July 2016, LÖWEN apprentices supported the children’s festival “Spiel und Sport im Park am Mäuseturm” (Games and Sports in the Park) in Bingen. The children were able to take part in a variety of actions and games, such as bouncy castles and creative stations.

Social Commitment

NOVOMATIC Italia also implements its social commitment through a variety of sponsoring activities. In addition to sponsoring activities in the area of Cancer Aid and the Italian Society for the Blind, NOVOMATIC Italia has a long-standing partnership with the Fondazione Telethon ⁽ⁱ⁾. This organization is dedicated to researching rare diseases not well supported by the private sector. The 2016 campaign was titled “Non mi arrendo”, which translates to “Don’t give up”. On December 16, a fundraising banquet supported by NOVOMATIC took place in Rimini, sponsored by NOVOMATIC for Telethon.


⁽ⁱ⁾ Fondazione Telethon: www.telethon.it

Last year, NOVOMATIC Italia also took part in the “Woman Run the Show” project, together with Samsung and Telefono Rosa, a charitable organization. The goal of the project is to draw attention to domestic violence and support those affected. As part of the project, ten women affected by domestic violence were provided with support for re-entry into working life, and the economic independence associated with it. As part of a national communications campaign, together with the well-known director, Maria Sole Tognazzi, the women produced a video that describes problems associated with domestic violence and promotes sensitivity to these issues. NOVOMATIC Italia specifically supported the project by creating a training program for office duties at its Rome location.





Invitation to Telethon fundraising dinner in Rimini

Appendix: UN Global Compact Communication on Progress

Since May 2014, NOVOMATIC has been a member of the UN Global Compact, an initiative established in the year 2000 under the guidance of the then UN Secretary General Kofi Annan. The objective of the UN Global Compact is to enhance social and environmental sustainability on an international level and to promote the social commitment of companies. Ten Principles define in which areas the network sees a need for action and hopes for according measures by its members. In order to enhance the effectiveness of this global network, certain obligations must be met in order to join: among other things, an annual Progress Report (Communication on Progress) must be prepared which documents the reporting member's efforts to promote and implement the ten principles of the UN Global Compact within their own spheres of influence. This Progress Report must also be made available on the homepage of the UN Global Compact. Therefore, our first, as well as our current Progress Report, can be found online .

 www.unglobalcompact.org/what-is-gc/participants/36511

In 2015 the United Nations passed the so-called Sustainable Development Goals which replace the Millennium Goals. In contrast to these, they are also directed at developing countries as well as companies and NGOs.  All in all, 17 overall objectives (and 169 subordinate objectives) were defined. In item 12.6 of the Sustainable Development Goals, for example, explicit reference is made to the importance of sustainability reporting. We have decided to refer to the Sustainable Development Goals in our Progress Report. The following overview therefore provides a total of four pieces of information: based on the ten principles of the UN Global Compact, we provide information as to which indicators are equivalent to the Global Reporting Initiative, where there is an equivalent in the Sustainable Development and what progress we achieved in 2016 regarding each of the ten principles of the UN Global Compact.

You find all indicators which are fulfilled by NOVOMATIC in the CR report marked with the  symbol and the respective GRI indicator.

 sustainabledevelopment.un.org/sdgs

UN Global Compact	Sustainable Development Goals	Global Reporting Initiative (G4)	Communication on Progress (COP) NOVOMATIC
www.unglobalcompact.org	sustainabledevelopment.un.org/sdgs	www.globalreporting.org	Detailed definition in the GRI index.
Human Rights: Businesses should support and respect the protection of internationally proclaimed human rights.	<p>End poverty in all its forms everywhere/ Access to land</p> <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture / Access to land</p> <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture / Indigenous rights</p>	<p>GRI Indicators</p> <p>G4-HR2 / G4-HR9 / G4-HR12 / G4-SO1 / G4-SO2</p>	<p>HR8 (Incidents of rights violations of indigenous people): Not applicable as NOVOMATIC is not involved in any dealings with indigenous people.</p> <p>HR9 (Operations that are subject to human rights reviews): Part of Compliance Management Systems of NOVOMATIC.</p> <p>HR12 (Grievances about human rights impacts): No proceedings relating to human rights violations.</p> <p>SO1 (Operations with implemented local community engagement): GRI interprets this indicator with regard to the involvement of local communities in development programs. This occurs during the course of approval processes to be carried out according to national requirements, e.g. during construction projects.</p> <p>SO2 (Operations with negative impacts on local communities): No significant negative impact on local communities recorded, as NOVOMATIC strictly adheres to applicable legal framework conditions.</p> <p>COP In 2015, the suppliers relevant to the Gumpoldskirchen location were subjected to an analysis, including regarding social risks (i.e. also with regard to the observance of human rights). No serious risk was determined. The analysis of suppliers will be expanded in the future.</p>
Human Rights: Business should make sure they are not complicit in human rights abuses.		<p>GRI Indicators</p> <p>G4-HR1 / G4-HR10 / G4-HR11</p>	<p>HR1 (Significant investment agreements and contracts that include human rights clauses): NOVOMATIC has its Group headquarters in Austria, where the Human Rights Charter is considered to be on a constitutional level. Accordingly, these principles are adhered to without requiring any separate agreements. In addition, ensuring that legal requirements are met is the responsibility of NOVOMATIC's internal Compliance Management System.</p> <p>HR10 (Evaluation of suppliers regarding human rights.): Prior to signing any agreement, all NOVOMATIC suppliers must acknowledge our Code of Conduct and confirm this in writing.</p> <p>HR11 (Significant negative human rights impacts in the supply chain): No significant negative impact determined along the supply chain, to the degree that this was possible within the initial analysis carried out in 2015.</p>

UN Global Compact	Sustainable Development Goals	Global Reporting Initiative (G4)	Communication on Progress (COP) NOVOMATIC
www.unglobalcompact.org	sustainabledevelopment.un.org/sdgs	www.globalreporting.org	Detailed definition in the GRI index.
Labour: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Freedom of association and collective bargaining</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Labor / management relations</p>	<p>GRI Indicators</p> <p>G4-11 / G4-HR4 / G4-LA4</p>	<p>G4-11 (Percentage of total employees covered by collective bargaining agreements.): All employment relationships in Austria are subject to a collective bargaining agreement applicable to the employment relationship, with the exception of managing directors and board members. In Germany, no employment relationship is subject to a collective bargaining agreement. These are the subject of individual contractual agreements, which are based on an internal salary model. All employment in Italy is subject to a collective bargaining agreement applicable to the employment relationship, except Managing Directors and members of the Management Board.</p> <p>HR4 (Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk.): In 2015, a first analysis of the most important suppliers for the Gumpoldskirchen location was carried out. No significant social risk was determined (COP).</p> <p>LA4 (Minimum notice periods regarding operational changes): This indicator does not apply to NOVOMATIC in this form.</p>
Labour: Businesses should uphold the effective abolition of child labour.	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Abolition of child labor	<p>GRI Indicators</p> <p>G4-HR5</p>	HR5 (Operations and suppliers with significant risk for incidents of child labor.): This indicator is not applicable to NOVOMATIC, as we do not work with suppliers who employ children.
Labour: Businesses should uphold the elimination of discrimination in respect of employment and occupation.	<p>End poverty in all its forms everywhere / Earnings, wages and benefits</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all / Employee training and education</p> <p>Achieve gender equality and empower all women and girls / Equal remuneration for women and men</p> <p>Achieve gender equality and empower all women and girls / Gender equality</p> <p>Achieve gender equality and empower all women and girls / Non-discrimination</p> <p>Achieve gender equality and empower all women and girls / Parental leave</p> <p>Achieve gender equality and empower all women and girls / Women in leadership</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Diversity and equal opportunity</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Employee training and education</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Employment</p>	<p>GRI Indicators</p> <p>G4-10 / G4-EC5 / G4-EC6 / G4-LA1 / G4-LA3 / G4-LA9 / G4-LA11 / G4-LA12 / G4-LA13 / G4-HR3</p>	<p>G4-10 (Total number of employees by employment contract and gender): It is disclosed in detail in the chapter "Enjoy working with us" on page 70.</p> <p>EC5 (Ratios of entry level wage by gender): This does not apply to NOVOMATIC, as the salary schemes at NOVOMATIC do not make a distinction by gender.</p> <p>EC6 (Proportion of management hired locally): This also does not apply to NOVOMATIC, as we do not recruit by origin, but rather by qualification.</p> <p>LA1 (Staff turnover rate): Is shown in chapter „Enjoy working with us“ at page 70.</p> <p>LA3 (Return to work and retention rates after parental leave, by gender): Is not disclosed in this report, as this data is only available for Austria, but not for Germany and Italy.</p> <p>LA9 (Average hours of training per year per employee): Is mentioned in chapter „Enjoy working with us“ at page 70.</p> <p>LA11 (regular performance and career development reviews): In the year 2016, the instrument of employee career talks has been further developed and will be enforced in the future.</p> <p>LA12 (Composition of the governance bodies): With regard to the CR Committee of the Supervisory Board at NOVOMATIC AG, the according information is provided on page 41 of this report; further information is provided in NOVOMATIC's annual report for the fiscal year 2016.</p>

UN Global Compact	Sustainable Development Goals	Global Reporting Initiative (G4)	Communication on Progress (COP) NOVOMATIC
www.unglobalcompact.org	sustainabledevelopment.un.org/sdgs	www.globalreporting.org	Detailed definition in the GRI index.
	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Equal remuneration for women and men</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Non-discrimination</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Parental leave</p> <p>Reduce inequality within and among countries / Equal remuneration for women and men</p>		<p>LA13 (Ratio of salary of women and men): Cannot be disclosed for NOVOMATIC, as salary schemes do not differentiate by gender. This would also be a clear contradiction to our internal Anti-Discrimination Policy (COP).</p> <p>HR3 (Number of discrimination incidents): Accordingly, can also not be reported.</p>
<p>Environment: Businesses should support a precautionary approach to environmental challenges.</p>	<p>Ensure healthy lives and promote well-being for all at all ages / Air quality</p> <p>Ensure availability and sustainable management of water and sanitation for all / Sustainable water withdrawals</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Energy efficiency</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work / Material efficiency</p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation / Environmental investments</p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation / Research and development</p>	<p>GRI Indicators</p> <p>G4-EC2 / G4-EN1 / G4-EN3 / G4-EN8 / G4-EN15 / G4-EN16 / G4-EN17 / G4-EN20 / G4-EN21 / G4-EN27 / GE-EN31</p>	<p>EC2 (Financial implications and other risks due to climate change): The respective risks and opportunities are managed by the NOVOMATIC AG risk management if relevant.</p> <p>EN1 (Materials used): This indicator cannot be disclosed for business reasons.</p> <p>EN3 (Energy use): Is reported on page 81 for the locations in Austria, Germany and Italy (COP).</p> <p>EN15 (greenhouse gas emissions): These were reported for the first time in 2015 with regard to the Gumpoldskirchen location, using the example of CO₂ emissions due to air travel. Information can be found on page 81 in this report. (COP)</p> <p>EN16, EN17, EN20, EN21 are not reported due to lack of data.</p> <p>EN27 (Results of mitigation of environmental impacts of products and services): Activities are described on page 84-85 in this report.</p> <p>EN31 (Environmental expenditures and investments): Is not disclosed for business reasons.</p>
<p>Environment: Businesses should undertake initiatives to promote greater environmental responsibility.</p>	<p>Ensure availability and sustainable management of water and sanitation for all / Sustainable water withdrawals</p> <p>Ensure availability and sustainable management of water and sanitation for all / Water efficiency</p> <p>Ensure availability and sustainable management of water and sanitation for all / Water-related ecosystems and biodiversity</p> <p>Ensure availability and sustainable management of water and sanitation for all / Water quality</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all / Energy efficiency</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all / Renewable energy</p>	<p>GRI Indicators</p> <p>G4-EN1 / G4-EN2 / G4-EN3 / G4-EN4 / G4-EN5 / G4-EN6 / G4-EN7 / G4-EN8 / G4-EN9 / G4-EN10 / G4-EN11 / G4-EN12 / G4-EN13 / G4-EN14 / G4-EN15 – G4-EN21 / G4-EN22 – G4-EN28</p>	<p>COP The field of action “Going Green” was consciously given this name in order to communicate the underlying strategic Management Approach to outside parties.</p> <p>NOVOMATIC’s declared goal is to firmly embed Group-wide internal standards in this area of action which provide for certain minimum requirements, e.g. the implementation of a Group Environmental Policy. In addition to this, a CR software is intended to provide support for an active international control of Environmental Management at NOVOMATIC.</p> <p><i>N.B.: in order to avoid overlaps and repetitions, we are not repeating our references to the individual GRI indicators at this point.</i></p>

UN Global Compact	Sustainable Development Goals	Global Reporting Initiative (G4)	Communication on Progress (COP) NOVOMATIC
www.unglobalcompact.org	sustainabledevelopment.un.org/sdgs	www.globalreporting.org	Detailed definition in the GRI index.
Environment: Businesses should undertake initiatives to promote greater environmental responsibility.		GRI Indicators G4-EN29 / G4-EN30 / G4-EN31/ G4-EN32 / G4-EN33 / G4-EN34	EN29 (Monetary value of fines due to non compliance with environmental laws): In 2016 there have been no lawsuits in this regard against NOVOMATIC AG. EN30 (environmental impacts of transporting products and other goods): Cannot be provided due to a lack of according data for 2016. EN31 (Environmental protection expenditures): Is not disclosed for business reasons. EN32 (New suppliers that were screened using environmental criteria) and EN33 (Negative environmental impacts in the supply chain): We completed our first analysis of the top suppliers at the Gumpoldskirchen location, which included an evaluation of environmental risks. Further information on this topic is provided on page 67 of this report (COP). EN34 (Grievances about environmental impacts): NOVOMATIC can report zero incidents for the reporting period and the mentioned reporting scope.
Environment: Businesses should encourage the development and diffusion of environmentally friendly technologies.		GRI Indicators G4-EN6 / G4-EN7 / G4-EN19 / G4-EN27 / G4-EN31	<i>N.B.: in order to avoid overlaps and repetitions, we are not repeating our references to the individual GRI indicators at this point.</i>
Anti-corruption: Businesses should work against corruption in all its forms, including extortion and bribery.		GRI Indicators G4-S06 / G4-S03 / G4-S04 / G4-S05 / G4-S06	G4-56 (Values, principles and norms of behaviour): We refer to our Corporate Values and principles throughout this report, in addition to the Code of Conduct as well as our CR policy. SO3 (Operations assessed for risks related to corruption): No detailed information is provided for this indicator for business reasons. We can merely provide assurance that compliance risks are naturally taken into consideration within our internal Risk Management System. SO4 (Communication and training on Anti-corruption Policies and procedures) and SO5 (incidents of corruption): Further information on this topic is provided on page 63 of this report. SO6 (Value of political contributions): Is not disclosed for business reasons.

You find the details to the GRI indicators in the following GRI content index.

GRI-Index

	GRI-Index Core	Description GRI	Additional information GRI	Page reference CR Report 2016	External audit review	Commonalities with UN Global Compact	Commonalities with OECD Guidelines
General standard information							
Strategy and Analysis	G4-1	Statement by the most senior decision-maker of the organization regarding sustainability management.	Statement of the CEO of NOVOMATIC AG.	Page 17			
	G4-2	Description of key impacts, risks, and opportunities.	Covered via the five CR fields of action.	Pages 20-35			
	G4-3	Name of the organization.	NOVOMATIC AG				
	G4-4	Primary brands, products and services.		Pages 20-35			
	G4-5	Location of organization's headquarters.	Wiener Strasse 158, 2352 Gumpoldskirchen, Austria				
	G4-6	Number of countries where the company operates.		Pages 10-11			
	G4-7	Nature of ownership and legal form.		Page 2			
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).		Pages 10-11			
	G4-9	Scale of the organization, including total number of employees, business locations, sales revenues, total capitalization.	The amount of products or services delivered is not disclosed in the annual report.	Pages 6-7			
Organizational Profile	G4-10	Total number of employees by employment contract and gender; total number of permanent employees by employment type and gender; total workforce by employees and supervised workers and by gender; total workforce by region and gender; activities performed by self-employed workers; variations in employment numbers.	The number of employees by gender and employment contract as well as by region is presented for Austria in the chapter "Enjoy working with us".	Page 70		X	X
	G4-11	Percentage of total employees covered by collective bargaining agreements.	In countries in which there are corresponding provisions for collective bargaining, these also apply to the work contracts.				
	G4-12	The organization's supply chain.		Page 67			
	G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership.		Pages 8-9			
	G4-14	Consideration of the Precautionary Approach.	The Precautionary Approach is shown separately for the individual fields of action.				
	G4-15	Externally developed economic, environmental and social charters endorsed by the organization.	UN Global Compact Principles, Sustainable Development Goals, GRI Standards, OECD Guidelines	Page 49			
	G4-16	Memberships in associations.		Page 45			
	G4-17	All entities included in the consolidated financial statements / specification of companies that are not within the scope of consolidation.		Page 2			
Identified material aspects and boundaries	G4-18	Process for defining the report content and the aspect boundaries.	Development Materiality Matrix. The definition of the materiality of individual aspects is described in the individual reporting scope per chapter.				
	G4-19	List of all material aspects.		Page 47			
	G4-20	Aspect boundary within the organization; specific limitations.	<i>See description of the material aspects below in this overview.</i>				
	G4-21	Aspect boundary outside of the organization; specific limitations.	<i>See description of the material aspects below in this overview.</i>				
	G4-22	Effect of restatements of information provided in previous reports, as well as the reasons for such restatements.		Page 47			
	G4-23	Significant changes in the scope and aspect boundaries.	Increase of scope of content and data is seen in report scope.	Page 42			

	GRI-Index Core	Description GRI	Additional information GRI	Page reference CR Report 2016	External audit review	Commonalities with UN Global Compact	Commonalities with OECD Guidelines
Stakeholder Engagement	G4-24	List of stakeholder groups engaged by the organization.		Page 43			
	G4-25	Basis for identification and selection of stakeholders.		Page 43			
	G4-26	Organization's approach to stakeholder engagement, frequency of engagement.	Our internal stakeholders were actively involved in the preparation of this CR report.	Page 43			
	G4-27	Key topics and concerns that have been raised through stakeholder engagement. How the organization responded.		Page 47			
Report Profile	G4-28	Reporting period.	Corresponds to NOVOMATIC AG's financial year; January 1, 2016 through December 31, 2016.				
	G4-29	Date of most recent previous report.	<i>NOVOMATIC publishes a CR report annually. It is published together with the annual report for the corresponding period. Date of the last CR report: April 29, 2016.</i>				
	G4-30	Reporting cycle.	Annual.				
	G4-31	Contact point for questions regarding the report or its contents.	<i>The responsibility lies with the Head of Group-CR & Sustainability. E-Mail: CR@novomatic.com Phone: +43 2252 606 0</i>				
	G4-32	"In accordance" option.	Core. GRI-Index version 4.				
	G4-33	Practice regarding external audit.	For the report period no external verification has been conducted.				
Corporate Governance	G4-34	Governance structure, committees of the highest governance body.	<i>Since the end of 2014, NOVOMATIC has had a special Supervisory Board committee dedicated to CR and ethics issues.</i>	Page 41			
	G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	In CR Governance explained.	Pages 41-42			
	G4-36	The organizations appointed executive-level position or positions with responsibility for economic, environmental and social topics, and if post holders report directly to the highest governance body.	The Head of Group-CR & Sustainability.				
	G4-38	Composition of the highest governance body and its committees.	In CR Governance explained.	Pages 41-42			
	G4-39	Report if chair of the highest governance body is also an executive officer.	Head of Group-CR & Sustainability reports to CEO.				
Ethics and integrity	G4-56	Values, principles and norms of behavior	<i>We refer to our Corporate Values and principles throughout this report, in particular in the section on CR management.</i>	Pages 38-40			

GRI-Index Core	Description GRI	Additional information GRI	Page reference CR Report 2016	External audit review	Commonalities with UN Global Compact	Commonalities with OECD Guidelines
Industry-related general standard information						
	Required if available for the industry.	Not available for NOVOMATIC's industry.				
Specific standard information						
Category: Economic	Management Approach	<i>The Management Approaches for our five fields of action were presented in the introductions of the individual chapters.</i>				
	G4-EC1	Direct economic value generated and distributed.	EVG is not a key aspect, but we communicate respective data at the beginning of the report.			X
	G4-EC8	Type and scope of significant indirect economic impacts.	Indirect economic impacts are highlighted via the economic value generated information at the beginning of the report.			
	G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	This information is also included in the economic value generated at the beginning of the report.	Page 67		
Category: Environmental	G4-EN1	Materials used by weight and volume.	Is relevant as NOVOMATIC has a high volume of inhouse production. Data can not be shown due to competitiveness reasons.		X	X
	G4-EN2	Percentage of materials used that are recycled input materials.	Is relevant as NOVOMATIC has a high volume of inhouse production. Data can not be shown due to competitiveness reasons.		X	X
	G4-EN3	Energy consumption within the organization.		Page 81	X	X
	G4-EN6	Reduction of energy consumption.		Pages 83-84	X	X
	G4-EN7	Reduction of energy requirements of products and services.		Pages 83-87	X	X
	G4-EN8	Total water withdrawal by source.		Page 82	X	X
	G4-EN15	Emission of hazardous substances, in particular GHG.		Pages 83-84	X	X
	G4-EN23	Total weight of waste by type and disposal method.		Page 81	X	X
	G4-EN27	Extend of impact mitigation of environmental impacts of products and services.		Pages 85-85	X	X
	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	Air travel shown.	Pages 82-83		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	Three quarters of all suppliers at location Gumpoldskirchen are screened.	Page 87			

	GRI-Index Core	Description GRI	Additional information GRI	Page reference CR Report 2016	External audit review	Commonalities with UN Global Compact	Commonalities with OECD Guidelines
Category: Social labor practices and decent employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.		Page 70		X	X
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	Benefits are available for all employees without discrimination.			X	X
	G4-LA3	Return to work and retention rates after parental leave, by gender.	The total number of staff returning to work is not compiled thus not shown.			X	X
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	As we do not have a workers union in Gumpoldskirchen, we are not able to show this information for 2016.			X	
	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	As we do not have a workers union in Gumpoldskirchen, we are not able to show this information. Health and safety is managed in our integrated management programm.				X
	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	No breakdown by gender currently possible.	Page 70			X
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		Page 76			X
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	This information is shown if available for the CR core countries in the report.	Page 70			
	G4-LA14	Evaluation of suppliers based on labor practices.	Three quarters of all suppliers at location Gumpoldskirchen are screened.	Page 67			
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	According to the report scope trainings related to the Code of Conduct can be pointed to, as the CoC takes human rights into account.				
	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures to support these rights.	According to the report scope in Austria no such incidents have occurred in 2016. All employment contracts in Austria are in accordance with Austrian collective bargaining regulations.			X	X
	G4-HR10	Evaluation of suppliers regarding human rights.	Three quarters of all suppliers at location Gumpoldskirchen are screened.	Page 67			
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	According to the report scope referral to the Compliance management.	Pages 62-63		X	X
	G4-SO4	Communication and training on Anti-Corruption Policies and procedures.	According to the report scope referral to the Compliance management.	Page 63		X	X
G4-SO5	Confirmed incidents of corruption and actions taken.	According to the report scope referral to the Compliance management. In 2016 no such cases have been reported.			X	X	
G4-SO9	Evaluation of suppliers regarding social impact.	Three quarters of all suppliers at location Gumpoldskirchen are screened.	Page 67				

GRI-Index Core	Description GRI	Additional information GRI	Page reference CR Report 2016	External audit review	Commonalities with UN Global Compact	Commonalities with OECD Guidelines
The GRI indicators on product health have limited applicability to NOVOMATIC's specific range of services.						
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed or improved.	<i>All products and services are subject to legal requirements regarding the fulfillment of information duties (graded by service and product).</i>				X
G4-PR3 – G4-PR5	Product and service labeling; surveys on customer satisfaction.	<i>All products and services are subject to legal requirements regarding the fulfillment of information duties (graded by service and product). This information and labeling requirement is fulfilled without exception.</i>	Page 67			
G4-PR6 – G4-PR7	Sale of banned or disputed products; violation of advertising regulations.	<i>The offer of gaming services is subject to controversial public debates, particularly in the German-speaking area. NOVOMATIC deals intensively with the questions of these discussions and takes an active part in the discourse. NOVOMATIC adheres to all sales restrictions and consequently sells its products (gambling equipment) exclusively to licensed customers. In addition, the offer of slot machine games in Austria is subject to certain restrictions, which are strictly observed.</i> <i>NOVOMATIC limits itself in the approach of its customers by means of Responsible Marketing, since the specifications of the Austrian legislator leave room in this regard.</i>	Page 59			
G4-PR8	Total number of substantiated complaints regarding breaches of Customer Privacy and losses of customer data.	<i>NOVOMATIC ensures strict observance of Data Protection regulations, a Data Protection officer continuously reviews the existing processes and is the first point of contact in case of grievances. In particular in the area of sports betting and machine gaming in Austria, Data Protection is seen as an important issue. In 2016, no grievances were reported, neither by individuals nor by the authorities.</i>	Page 63			

SOLID GROWTH

CAGR 2006-2016
Total Revenues: 11.8%



Global Operations
ΚΑΡΥΟΛΑΤΕΚ

NOVOMATIC

CONSOLIDATED FINANCIAL STATEMENTS

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Management Report

on the 2016 Individual Financial Statement and Consolidated Financial Statement,
NOVOMATIC AG, Gumpoldskirchen

1. Purpose of the Business and Strategy

NOVOMATIC¹ is a globally operating, integrated gaming technology and entertainment group with more than 35 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, manufactures and sells gaming products, lottery technologies and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC furthermore operates more than 1,700 gaming facilities worldwide, which include casinos, automated casinos, bingo facilities and sports betting outlets.

In addition to developing gaming equipment, the NOVOMATIC Group has established itself as a game content provider for licensed online and offline providers and as an operator of online gaming platforms.

The NOVOMATIC Group is aware of its considerable social responsibility and pursues business activities only in markets with a clearly defined legal framework.

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

2. Economic Conditions

Macroeconomic Development

In 2016, the global economy achieved a moderate increase in gross domestic product (GDP). In its latest analysis, the International Monetary Fund (IMF) assumes a growth rate of 3.1 percent². As a result, the global economy experienced a moderate growth momentum similar to that already seen in preceding years. The economic growth of industrialized countries was negatively impacted by weak overall demand, particularly for investment goods. The high degree of political and economic uncertainty played a major role and was intensified, among other things, by the United Kingdom's vote to leave the European Union.

After five years of declining growth rates, the emerging market economies were able to stabilize in 2016. According to an analysis by the IMF, GDP growth in these markets was at 4.1 percent. Although the business climate was disappointing, commodity prices saw a clear recovery, above all crude oil, which benefited commodity-exporting emerging countries.

The Chinese economy continued its transition to a growth model focusing more on consumption and its domestic market. The associated negative effects on the economy are being largely offset by an expansive monetary and fiscal policy. The pace of China's economic growth was marginally slower than in the preceding year, at 6.7 percent.

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

² According to the World Economic Outlook provided by the International Monetary Fund (IMF)

Overall, growth in the leading group of industrialized nations slowed to 1.6 percent in 2016. The United States contributed significantly to this development, with a 1.6 percent increase in GDP (after 2.6 percent in 2015). Lower investment activity and weaker exports due to the stronger US dollar can be cited as reasons for this. Yields began to rise substantially in the United States after the presidential election on the back of speculation about extensive debt-financed state spending programs in the future, which caused the US dollar to appreciate further compared to other currencies.

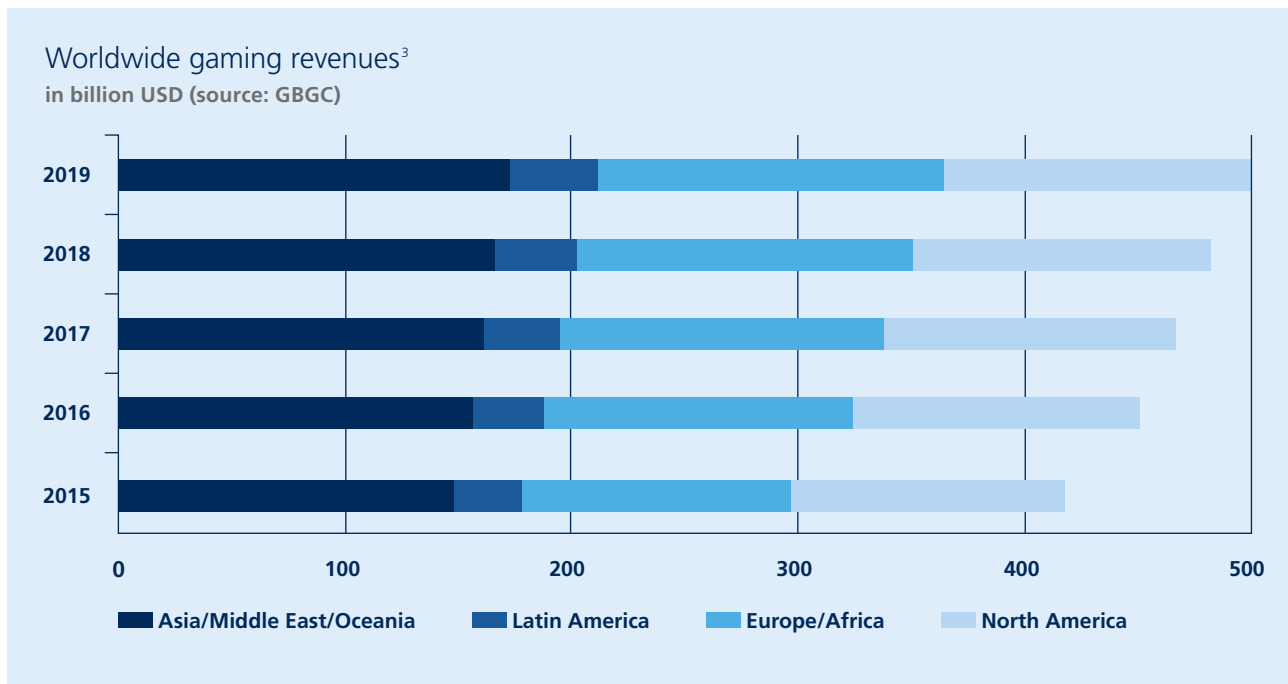
The “Brexit” referendum held in the United Kingdom in June 2016, which ended in a surprising vote to exit the European Union, has caused significant volatility in the international financial markets. The resulting uncertainty following this decision led to a weakening of economic growth in the European Union, with the economic projection for GDP growth in the United Kingdom being significantly revised downwards to 0.9 percent in 2016.

Economic growth in the European Monetary Union was 1.7 percent, higher than in the United States for the first time since 2008. The European Central Bank (ECB) continued its expanded bond purchasing program in 2016 while keeping its base rates low. This resulted in an easing of credit supply conditions and had a positive effect on credit volumes. However, risks emerged once again in the European banking system (particularly in Italy), which prevented a more positive trend in the euro zone.

In its current forecast for the domestic economy, the Austrian Institute of Economic Research (WIFO) projects GDP growth of 1.7 percent for 2016, after a weak phase of several years with growth rates below 1 percent. Although the experts of the WIFO see no noteworthy signs of economic recovery, consumer spending at both private and public levels is increasing as a result of special factors, thus supporting overall economic growth.

Development of the Gaming Market

After a reduction in global gaming expenditures in 2015, for which the gaming metropolis Macau was largely responsible, the global gaming market saw strong growth again in 2016. According to a study³ carried out by Global Betting and Gaming Consultants (GBGC), worldwide gross gaming revenues came in at USD 451 billion in the year under review. This corresponds to an increase of 8.0 percent and also represents a new high. The majority of gains were seen in the lottery sector, as well as the market for gaming machines outside of casinos (for instance in electronic casinos or bars).



In particular since the gaming monopoly in Macau was overturned in 2002, the Asia-Pacific region has grown to become the most important gaming market worldwide. 2015 saw a marked decline in gaming revenues, triggered by a campaign on the Chinese mainland to fight corruption and money laundering, in addition to a slowdown in the Chinese economy. The result was that gross gaming revenues of the casinos operated in Macau collapsed by 34.3 percent in 2015. However, in the second half of the year under review, there was a change in fortunes, and revenues rose again for the first time in over two years.

Compared to the other three large markets (Asia-Oceania, North America and Europe), the gaming markets in Latin America and the Caribbean are less significant. Currently, however, this region is achieving the strongest growth momentum worldwide, with an average annual growth rate of 5.1 percent. Compared to 2015, gaming revenues increased again, with the lottery sector seeing particularly impressive growth at 11.6 percent.

The North American gaming market grew by 4.2 percent in 2016. The casino sector (including the so-called tribal casinos that are operated by Native Americans) is the largest segment of the North American gaming industry with a share of 56.6 percent and again saw modest growth in the year under review. However, the strongest growth rates were seen in the lottery segment (+7.9 percent) and gaming machines outside of casinos (+7.3 percent).

Following the global financial crisis, gaming expenditures around the world fell, with the European gaming market hit particularly hard. In 2016, gross gaming revenues surpassed the level in the crisis year of 2008 for the first time, with the combined Europe/Africa gaming market generating revenues of USD 136.6 billion during the year under review. With a share of 34.3 percent, lottery

³⁾ Estimates taken from the Global Gaming Report by GBGC

companies, which to a large extent are government-controlled, constitute the most important sector of the European gaming industry, followed by the area of gaming machines outside of casinos (video lottery terminals, fixed odds betting terminals and classic AWP⁴ devices). According to a study carried out by GBGC, the European gaming market is growing at an annual rate of 2.7 percent, with the strongest growth rates coming from the area of betting (in particular sports betting).

According to a study carried out by GBGC, global online gaming revenues increased to USD 45.3 billion in 2016, compared to USD 43.4 billion in the previous year. High growth rates were achieved in this area in previous years, meaning that the share of global gaming revenues coming from online gaming rose steadily. This trend, however, has been showing signs of stabilizing since 2015 at a level of around 10 percent. While the areas of online casinos and online betting continued to demonstrate growth, the area of online poker is showing a downward trend.

⁴⁾ Amusement with prizes

3. Business Performance

Significant Events during the Reporting Period

For NOVOMATIC, 2016 was again a very eventful year with positive business development. Through organic and acquisition-driven growth, revenues reached an all-time high of EUR 2,294.1 million. While the challenging regulatory framework conditions in individual jurisdictions (such as Germany) meant that earnings before interest and taxes (EBIT) came in below the previous year's level, the Group was still able to achieve one of the best results in the company's history. The number of companies included in the scope of consolidation once more underscores the NOVOMATIC Group's growth dynamics. The number of fully consolidated companies increased from 188 (as of December 31, 2015) to 217 by the end of 2016.

Acquisitions and Disposals of Interests in Companies

On the one hand, the objective of acquisitions is to achieve or solidify a market-leading position in existing markets. On the other hand, acquisitions support the pursuit of NOVOMATIC's strategy to develop new markets so as to achieve further diversification for the Group and thus create the basis for sustainable future growth.

In 2015, NOVOMATIC acquired an indirect share of around 23.1 percent in Österreichische Lotterien GmbH (ÖLG), a company that is majority owned by Casinos Austria Aktiengesellschaft (CASAG). Casinos Austria Aktiengesellschaft and its subsidiaries are an internationally renowned gaming group focused on running national and international casinos. ÖLG, in turn, holds the only concession that permits the operation of classic lotteries, online gaming and video lottery terminals in Austria.

Also in 2015, NOVOMATIC concluded further purchase agreements for the acquisition of direct and indirect interests in CASAG, which needed the approval of the Austrian Federal Competition Authority (BWB). In February 2016, the BWB submitted an audit request to the Austrian anti-trust court, which, in its ruling, refused to allow NOVOMATIC to acquire an interest that amounted to a shareholding of over 25 percent. This decision was, after NOVOMATIC AG appealed, ultimately upheld by the Supreme Court (OGH) in January 2017. It was, therefore, not possible to complete individual purchase agreements to acquire direct and indirect shares in CASAG. Furthermore, NOVOMATIC AG had to reduce its indirect interest in ÖLG to less than 25 percent and, in December 2016, sold shares amounting to 11.56 percent to a Czech group of companies to enable the closing of the stated 17.19 percent in CASAG.

In February 2016, NOVOMATIC entered into a purchase agreement with Len Ainsworth regarding the acquisition of approximately 53 percent of the shares of Ainsworth Game Technology Ltd. (Ainsworth). Ainsworth is a publicly traded company listed in Australia and headquartered in Newington, Sydney. The company is one of the most renowned players in the international gaming industry. The company is a leading producer and provider of high-quality, innovative gaming solutions in Australasia as well as North and South America. Due to suspensive conditions, in particular, the required formal approvals by various international licensing and regulatory authorities, the closing of this transaction is not expected until the third quarter of 2017 at the earliest. The agreed purchase price is AUD 473.3 million.

In June 2016, NOVOMATIC UK Ltd., a company of the NOVOMATIC Group, acquired 100 percent of the shares in Talarius Ltd. (Talarius) and its associated subsidiaries. The Talarius Group operates 7,500 gaming terminals in 162 gaming facilities in the United Kingdom. By concluding this transaction, NOVOMATIC continues its expansion strategy and is now the largest operator of gaming facilities in the sector of so-called "Adult Gaming Centers" in the UK. The agreed purchase price was GBP 102.5 million.

During the financial year 2016, several smaller operators of gaming facilities in Germany, Italy and Spain were acquired, especially with the business purpose of operating gaming halls, bars and bingo. With these acquisitions, the Group is enhancing its market position in some of Europe's most important core markets.

Concessions and Other Important Events

In June 2014, the Austrian Federal Ministry of Finance (BMF) granted licenses for the operation of casinos according to § 21 of the Austrian Gaming Act. Because of a complaint brought forward by a competitor, the individual concessions granted to ADMIRAL Casinos & Entertainment AG (ACE) for the locations Vienna North-East (Prater) and Lower Austria (Bruck an der Leitha) were revoked by the Federal Administrative Court in July 2015. Both NOVOMATIC and the Federal Ministry of Finance filed an appeal against the verdict with the Highest Administrative Court (VwGH). With two findings from June 2016, the VwGH confirmed the decisions of the Federal Administrative Court and dismissed the appeals. NOVOMATIC has no knowledge of whether, when and to what extent the legally intended and still outstanding casino concessions will be re-tendered, as this will be decided by the Federal Ministry of Finance.

Regarding the repeal of licenses for state-licensed gaming in Lower Austria and Burgenland by the Highest Administrative Court (VwGH), the gaming license for 1,339 gaming machines in Lower Austria was issued again to ACE in December 2016, after continued proceedings. This notice was then contested through complaints by three competitors. A decision by the Lower Austrian Provincial Administrative Court is expected in the second quarter of 2017. Continued operations are guaranteed until November 2017, due to the statutory duty to continue operations and a declaratory notice. The continued operation of the 110 approved gaming machines in Burgenland is guaranteed until June 2017, and a decision concerning the ongoing selection procedure is still pending.

In respect of the legal discussions going on for several years as to whether the Austrian Gaming Act and the corresponding provisions are consistent with EU law, the three highest courts in Austria have all confirmed conformity with EU law.

In September 2016, NOVOMATIC carried out the largest capital market financing in its corporate history with the issuance of a bond with a total volume of EUR 500.0 million (benchmark bond). It was issued as part of a EUR 2,000.0 million issuance program of NOVOMATIC AG, which was given the investment grade rating of BBB (stable outlook) by the international rating agency Standard & Poor's. The funds raised were aimed at optimizing the financing structure and for future acquisitions.

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

Consolidated Financial Statement for NOVOMATIC

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

INCOME STATEMENT

Condensed Version with Selected Positions

in million EUR	2016	2015	Difference in %
Revenues	2,294.1	2,086.3	10.0 %
Gaming taxes and betting fees	-238.3	-191.4	24.5 %
Revenues after deduction of gaming taxes and betting fees	2,055.9	1,894.9	8.5 %
Other operating income	324.6	280.4	15.8 %
Cost of material and other purchased services	-358.6	-282.8	26.8 %
Personnel costs	-676.8	-567.8	19.2 %
Total other operating expenses	-756.7	-707.9	6.9 %
EBITDA	588.5	616.7	-4.6 %
EBITDA margin in %	25.7 %	29.6 %	-13.2 %
Depreciation and amortization	-324.4	-301.3	7.7 %
EBIT (= operating profit)	264.1	315.4	-16.3 %
EBIT margin in %	11.5 %	15.1 %	-23.9 %
Financial result	-34.7	-7.0	399.6 %
Earnings before taxes	229.4	308.5	-25.6 %
Annual profit	154.4	212.7	-27.4 %

Earnings Position

Through organic and acquisition-driven growth, revenues reached an all-time high of EUR 2,294.1 million during the financial year 2016. This is an increase of 10.0 percent over the previous year.

The largest absolute increase was achieved in the area of gaming machine revenues, which rose by EUR 126.7 million to EUR 1,028.9 million. Apart from the successful acquisition of Talarius in the United Kingdom completed in 2016, the established companies in Italy and Germany as well as the recently acquired companies in the German, Italian and Spanish markets, also contributed to this positive development.

Significant revenue growth was also achieved with betting revenues, which increased by EUR 35.9 million, as well as with sales revenues, which came in EUR 32.2 million higher than the previous year. Rental revenues also saw a slight increase. Compared to previous periods, e-commerce revenues did not increase as a company that was active in this area was sold as of the end of 2015 and no longer made a contribution to revenues in the year under review.

Gaming taxes and betting fees, which depend largely on revenue, increased in 2016 to EUR 238.3 million, compared to EUR 191.4 million in the previous year.

Linked to the higher sales revenues and increased capitalized own work, regarding gaming machines produced in-house, material costs increased by EUR 75.7 million against the previous year. The changes in inventory of finished and unfinished goods increased by EUR 12.9 million against the previous year.

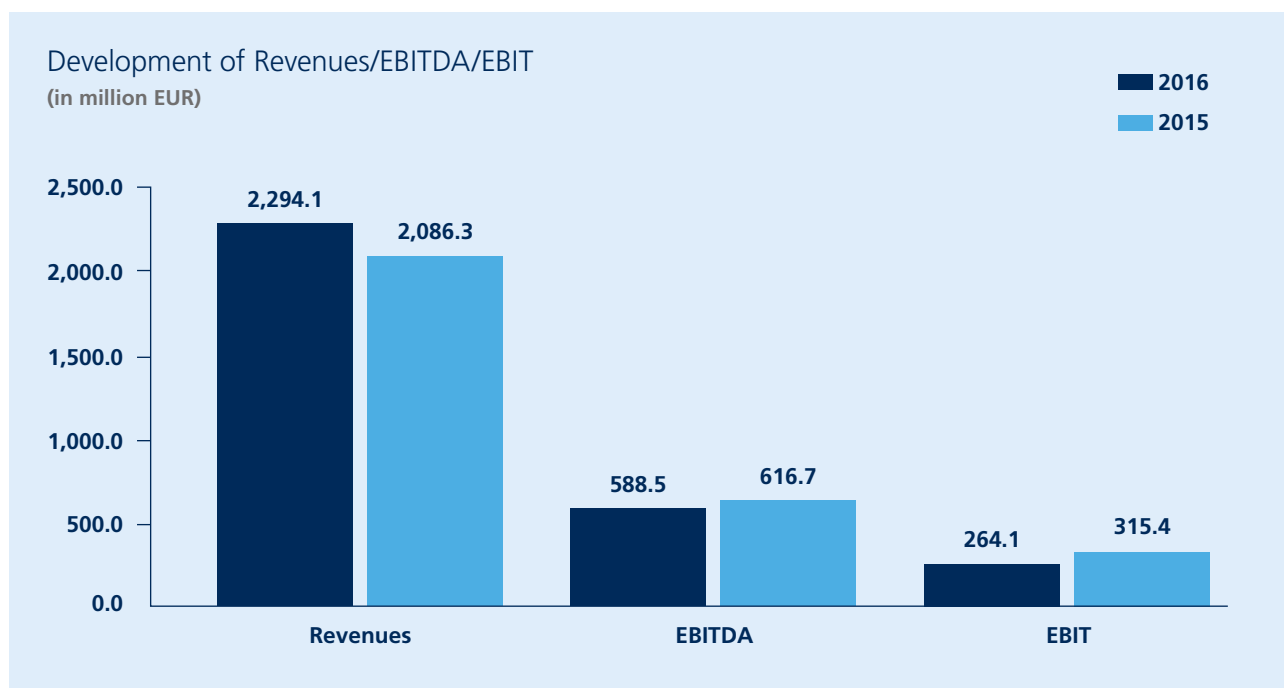
The increase in personnel expenses to EUR 676.8 million is due to the expansion during the years 2015 and 2016. The greatest changes were recorded in Great Britain, Germany and Italy.

In terms of other operating expenses, there was an increase to EUR 756.7 million in 2016 (up EUR 48.7 million). The increase was mainly related to the expansion of business activities. The largest increase in absolute figures can be found in the position for rental, lease and operating expenses (up EUR 20.9 million).

Depreciation and amortization across the Group increased by EUR 23.1 million to EUR 324.4 million. These increases are largely due to acquisitions, mainly stemming from the markets in Spain and Great Britain.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined by 4.6 percent against the previous year to EUR 588.5 million. This corresponds to an EBITDA margin of 25.7 percent, compared to 29.6 percent in 2015. Operating profit (EBIT) came in at EUR 264.1 million, down from EUR 315.4 million in the previous year.

EBITDA and EBIT constitute key performance indicators that are not defined in the International Financial Reporting Standards (IFRS). They serve as a way for the management of NOVOMATIC to measure and control the Group's economic success and profitability. At NOVOMATIC, the EBIT key performance indicator refers to the operating profit as presented in the consolidated income statement. The EBITDA key performance indicator is calculated by taking the operating profit (EBIT) and adjusting it for the depreciation and amortization of intangible assets, and property, plant and equipment. The EBITDA margin and EBIT margin constitute key performance indicators that are also not defined in the International Financial Reporting Standards (IFRS). These key performance indicators represent the ratio of EBITDA or EBIT to revenues and serve as a way for the management of NOVOMATIC to measure and control the Group's profitability.



At EUR -34.7 million, the financial result came in below the previous year's level of EUR -7.0 million. Lower income from financial assets and currency translation losses from Group-internal financing are cited as the main reason for this decline.

After consideration of tax expenses amounting to EUR 75.0 million, the Group was left with an annual profit of EUR 154.4 million for 2016.

Assets Position

The balance sheet total rose by EUR 685.1 million compared to the December 31, 2015, figure, amounting to EUR 3,668.2 million as of December 31, 2016. In terms of non-current assets, intangible assets increased by EUR 204.6 million to EUR 702.8 million. The increase was mainly related to licenses and concessions (up EUR 120.5 million) and is in large part due to the newly acquired companies in the United Kingdom (Talarius) and Italy (several smaller companies). A further cause behind the change is the rise in goodwill (up EUR 76.5 million), resulting from the recently acquired companies in the markets of the United Kingdom, Spain, Italy, and Germany.

Property, plant and equipment increased from EUR 856.9 million in the previous year to EUR 955.1 million. The largest difference is found in the position for equipment (in particular gaming devices and betting terminals), with both company acquisitions and investments by established companies having contributed to this rise.

Financial assets, mainly comprising minority investments in Austrian gaming companies, increased from EUR 204.1 million to EUR 237.8 million in the year under review. Starting in June 2015, NOVOMATIC carried out a series of purchase transactions resulting in an indirect total investment of around 23.1 percent in Österreichische Lotterien GmbH (ÖLG). ÖLG is a company that is majority owned by Casinos Austria Aktiengesellschaft (CASAG). In December 2016, NOVOMATIC purchased 17.19 percent of the shares in CASAG, meaning that the number of shares held indirectly by NOVOMATIC in ÖLG would exceed the threshold of 25 percent. Due to anti-trust regulations, NOVOMATIC AG had to reduce its indirect interest in ÖLG to less than 25 percent and, in December 2016, sold shares amounting to 11.56 percent to a Czech group of companies to enable the closing of the stated 17.19 percent in CASAG.

Current assets increased significantly by EUR 341.7 million to EUR 1,541.1 million during 2016. While the value of trade receivables increased only slightly against the previous year, inventories rose significantly by 17.5 percent to EUR 225.5 million.

Another major change regarding current assets was in relation to cash and cash equivalents. Compared to the previous year, cash and cash equivalents increased by EUR 292.4 million to EUR 877.8 million. This was mainly caused by the issuance of a bond with a total volume of EUR 500.0 million (benchmark bond) in September 2016.

BALANCE SHEET

Condensed Version

in million EUR	2016	2015	Difference in %
Assets			
Non-current assets	2,127.1	1,783.7	19.3 %
Current assets	1,541.1	1,199.5	28.5 %
Balance sheet total	3,668.2	2,983.2	23.0 %
Liabilities and shareholders' equity			
Equity	1,371.6	1,215.3	12.9 %
Non-current liabilities and provisions	1,582.3	1,204.8	31.3 %
Current liabilities and provisions	714.4	563.1	26.9 %
Balance sheet total	3,668.2	2,983.2	23.0 %

During the reporting period, equity capital rose by EUR 156.3 million to EUR 1,371.6 million, of which EUR 62.5 million consisted of other shareholders' shares. In the course of a capital increase, the company's share capital increased slightly from EUR 26.0 million to EUR 26.6 million. Due to the capital increase, there was a significant increase of EUR 84.4 million in capital reserves to EUR 85.4 million. In addition to this, equity capital is comprised of retained earnings (amounting to EUR 1,245.6 million), the revaluation reserve as per IAS 39 (amounting to EUR 5.2 million) and the currency translation adjustment (amounting to EUR -53.8 million).

The rise in non-current liabilities is almost exclusively due to the non-current financial liabilities. These increased by EUR 351.4 million to EUR 1,395.1 million during the financial year. This was mainly caused by the issuance of a bond with a total volume of EUR 500.0 million (benchmark bond) in September 2016.

The increase in current liabilities is largely attributable to the current financial liabilities, which went up by EUR 173.9 million to EUR 210.8 million. The most important reason for this change is a bond issued in 2010 with a volume of EUR 150.0 million, which was to be reported as current due to the maturity in October 2017.

(Current) liabilities from other taxes, contained in other liabilities, fell substantially by EUR 72.0 million to EUR 104.9 million. Due to a legal dispute between Italian competitors and the Italian gaming authority, the competent court decided, in 2015, that all Italian concessionaires (i.e. including ADMIRAL Gaming Network S.r.l., a NOVOMATIC Group company), should not pay a part of their gaming taxes to the competent authority until the matter had been settled, but must instead deposit these amounts in a specifically designated bank account. For NOVOMATIC, this resulted in a temporary increase in tax liabilities as well as cash and cash equivalents by EUR 82.9 million in the previous year. The legal dispute came to an end in 2016, and the taxes set aside were paid to the competent authorities.

Financial Situation

Cashflow

Across the Group, cash flow from operating activities totaled EUR 429.2 million in 2016, compared to EUR 417.4 million in the previous year. This rise in cash flow from operating activities, despite lower operating profit in the year under review, resulted from lower payments for income taxes, and higher levels of provisions.

Due to a court order in 2015, part of the gaming taxes paid by all Italian concessionaires (i.e. including Admiral Gaming Network S.r.l., a NOVOMATIC Group company) had to be deposited in a specifically designated bank account (see chapter "Assets Position"). Due to the fact that this tax liability had already been set aside, this was already reported as a cash transaction in the previous year, thereby reducing the cash flow from operating activities in 2015.

Cash flow from investment activities amounted to EUR -519.8 million in the year under review, while the same figure for 2015 amounted to EUR -439.9 million. Apart from an increase in cash outflows for investments in gaming devices produced in-house against the previous year, this significant change was in particular due to the numerous acquisitions in the United Kingdom, Italy, Spain and Germany.

The cash flow from financing activities amounted to EUR 474.5 million during the reporting year, a considerable improvement over the previous year's value of EUR -105.2 million. While the repayment of a bond that reached maturity in the previous year (volume of EUR 200.0 million) reduced the cash flow from financing activities, the issuance of a bond with a total volume of EUR 500.0 million (benchmark bond) in 2016 led to a considerable increase in cash inflow. Furthermore, lower dividend payments, along with a capital increase of EUR 85.0 million contributed to the improvement in cash flow from financing activities.

The free cash flow (cash flow from operating activities plus cash flow from investing activities) for the financial year 2016 fell from EUR -22.5 million to EUR -90.6 million due to the higher level of investment.

INVESTMENTS

in million EUR	2016	2015
Intangible assets	44.0	17.1
Property, plant and equipment	390.3	291.2
Total investments	434.3	308.3

Investments

The Group's investment activity (additions to intangible assets and property, plant and equipment, excluding assets acquired through business combinations) amounted to EUR 434.3 million during the year under review, of which EUR 44.0 million was invested in intangible assets and EUR 390.3 million in property, plant and equipment. In comparison to the previous year, this corresponds to an increase in investment by EUR 126.0 million.

The largest share of investments in property, plant and equipment was in gaming devices, manufactured mostly in-house, with investments of EUR 210.1 million. Investments in intangible assets made during 2016 related mainly to investments in licenses and concessions, as well as software.

Selected Group Key Figures

	2016	2015
Equity ratio (equity/balance sheet total)	37.4 %	40.7 %
Return on equity (parent company shareholder result/equity capital)	10.8 %	17.1 %
Return on assets (annual profit + interest cost)/balance sheet total	5.2 %	8.2 %
Working capital (current assets - current liabilities) in million EUR	826.8	636.3
Net debt (non-current financial liabilities + current financial liabilities - cash and cash equivalents) in million EUR	728.1	495.2
Net debt to EBITDA (net debt/EBITDA)	1.2	0.8
Interest coverage ratio (EBIT/interest expense)	7.0	9.8
Asset coverage (equity capital/non-current assets)	64.5 %	68.1 %

4. Segment Analysis

Segment Reporting Contents

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

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

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

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

Gaming Technology

External revenues in the Gaming Technology segment amounted to EUR 903.1 million in the year under review, representing a significant increase compared to the previous year (EUR 860.3 million).

Online and Mobile Gaming (B2B)

The Greentube Group, which is a part of the NOVOMATIC Group, is an internationally leading content provider of online games. Greentube offers these games to licensed operators of gaming websites, with both a fun and a cash mode. Furthermore, Greentube develops system solutions (front-end, back-end, content, service) and makes them available to licensed online gaming companies. The range on offer can be scaled as desired by the customer.

During the financial year 2016, revenues of the companies falling into the Greentube Group's B2B segment increased compared to the previous year. The online gaming market is dominated by a small number of large companies. The higher competitive pressure within the industry results in continuously slowing growth rates, while at the same time higher marketing expenses (costs per acquisition), an increased tax burden and higher structure costs, weigh on profitability.

Germany

The First State Treaty amending the current Interstate Gambling Treaty in Germany (Glücksspieländerungsstaatsvertrag, GlüÄndStV) came into effect on July 1, 2012, and since the belated inclusion of Schleswig-Holstein in 2013, it has applied to all German federal states. For its implementation, a transitional period of five years was granted. The legislators' intention regarding commercial gaming is centered mainly on a reduction of the offering of gaming possibilities and strengthening player protection. This is to be achieved mainly through the establishment of distance regulations for slot arcades, as well as a prohibition of multiple concessions (i.e. limitation to a maximum of twelve gaming machines per location). While the GlüÄndStV has been criticized by the European Commission and serious constitutional concerns exist, no major corrections to its legal provisions have been implemented so far.

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

In November 2014, a stricter amendment to the Gaming Ordinance was passed. This amendment includes further regulation aimed at improving the protection of players and minors, as well as preventing tax evasion and money laundering. A transitional period of four years was granted for the implementation of the Gaming Ordinance. This means the gaming machines currently installed in gaming arcades will lose their existing protecting after four years and, from November 11, 2018, only devices as per the new Gaming Ordinance may be operated. The German subsidiaries Löwen Entertainment GmbH and Crown Technologies GmbH have already been working for a while to develop attractive products that can be made available to the customers promptly upon expiration of the transitional period of the Gaming Ordinance.

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

The focus of the German Group companies in the Gaming Technology segment is in the area of gaming machine rental. In Germany, the NOVOMATIC Group has long held a share of more than 50 percent of the market for commercial gaming devices and, in 2016, was able to successfully defend this market share. In light of the stricter regulatory framework, however, the number of rented gaming machines decreased during the reporting period, which also led to a decline in revenues. In total, the German companies active in the Gaming Technology segment achieved revenues of EUR 317.5 million against EUR 344.9 million in 2015.

Italy

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

In 2016, NOVOMATIC acquired 75 percent of the shares in Electro System S.p.A., a developer and manufacturer of CPUs for AWP gaming machines. This acquisition, along with the acquisition of a host of smaller companies active in the area of installing AWP machines in the food and beverage sector led to an increase in revenues in the year under review. Similarly, the existing Italian Group companies were able to increase the number of rented gaming machines and thus revenues again increased. Revenues of the companies falling into the Gaming Technology segment reached EUR 161.3 million in 2016, compared to EUR 137.9 million in the previous year.

Great Britain

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

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

For NOVOMATIC, Great Britain is a market of the future that, despite the difficult market environment, offers immense opportunities for the company. During the year under review, the British Group companies falling into the Gaming Technology segment achieved revenues of EUR 136.8 million, which is a considerable increase against the previous year's figure of EUR 106.7 million. A major contribution to this positive development was delivered by Playnation Ltd., which was acquired in September 2015. Playnation is an operator of around 20,000 entertainment and gaming machines at over 1,700 locations, mainly in amusement parks, motorway service facilities, bowling alleys, pubs and airports.

Spain

The Spanish gaming market is one of the largest gaming markets in Europe and therefore represents an important target market for the NOVOMATIC Group. With GIGAMES S.L., NOVOMATIC owns Spain's third-largest production and sales company for gaming machines with a strong market position, particularly related to the placement of gaming machines in bars, which is one of the core segments of the Spanish gaming industry.

During the past financial year, the Spanish Group companies were again able to increase their revenues from the sale and rental of gaming machines. Revenues achieved a level of EUR 45.4 million against EUR 36.8 million in 2015.

Netherlands

Following a number of acquisitions of Dutch gaming companies focusing on the area of development and sales of gaming machines, the years 2015 and 2016 were marked by a consolidation of the acquired companies. A realignment of the organization enabled closer cooperation among the Group companies along with the harnessing of significant synergies.

As with the British market, the Dutch market is moving more in the direction of consolidation rather than significant growth. This is evidenced by a general drop in the demand for slot machines popular in the Netherlands. Despite these framework conditions, revenues of the Dutch companies falling into the Gaming Technology segment increased to EUR 14.2 million in 2016, compared to EUR 13.8 million in the previous year.

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

A 15-year partnership entered into with Loteria Romana provides for NOVOMATIC to deliver sophisticated video lottery terminals (VLTs), as well as the corresponding required video lottery system (including a jackpot system, service, spare parts, logistics, etc.) in Romania. By the end of 2016, NOVOMATIC had already approximately 5,100 VLTs installed.

In total, the companies falling into the Gaming Technology segment within the regions of CEE and SEE were able to achieve a positive business development during the financial year 2016. Apart from Romania, Lithuania also contributed to this rise in revenues.

Rest of the World

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

Gaming Operations

External revenues in the Gaming Operations segment amounted to EUR 1,370.6 million in the year under review, representing again an increase compared to the previous year (EUR 1,204.0 million).

Online and Mobile Gaming (B2C)

The B2C market is divided into the segments of Social B2C (no payout of winnings) and Cash B2C (regular gaming with payout of winnings). While a phase of consolidation is under way in the Social B2C market and there is virtually no growth, the area of Cash B2C continues to display positive momentum. The main reason for this is the prevailing trend to regulate online gaming in many countries around the world. The expanded offer of Cash B2C products is driving out the Social B2C segment in regulated markets.

Another trend to which the European online gaming industry, in particular, must adapt is the increasingly stricter framework conditions. While, at a national level, increasingly restrictive regulations are being introduced in matters of taxation and player protection, the Fourth Anti-Money Laundering Directive and the General Data Protection Regulation at the European level have led to stricter standards that must be followed.

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

The companies of the Greentube Group with activities in the B2C segment reported a decline in revenues during the financial year 2016. In particular, Funstage GmbH with its gaming platform Gametwist and Cervo Media GmbH, both companies that are part of the Social B2C segment, posted declining revenues.

Austria

Due to the end of state-regulated gaming in Vienna in 2014, the Austrian operating companies falling into the Gaming Operations segment underwent commercial restructuring. After the home market of Austria saw a significant decline in revenues in the Gaming Operations segment in 2015 as a result of the change in regulatory framework conditions, a trend reversal was achieved in the current year under review. In particular, there was a considerable rise in betting revenues compared to the previous year. Revenues of all Austrian gaming and betting companies of the NOVOMATIC Group reached EUR 230.6 million in 2016, compared to EUR 223.4 million in the previous year.

Germany

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

With the venerable Spielbank Berlin, NOVOMATIC operates one of Germany's gaming facilities with the highest revenues. With its subsidiaries, Spielbank Berlin, along with the Kurhessische Spielbank Kassel, were able to slightly increase revenues in the year under review.

The German operating companies Extra Games Entertainment GmbH, BPA Freizeit und Unterhaltungsbetriebe GmbH, ADMIRAL Play GmbH as well as several smaller, recently acquired companies that operate in the market for commercial machine gaming were able to achieve a very positive development. The revenues of all German companies falling into the Gaming Operations segment reached EUR 339.3 million, compared to EUR 302.8 million in the previous year.

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

As in previous years, impairment tests were carried out in 2016 for the assets of the German operating companies, resulting in required impairment losses in the low single-digit million euro range. The impairment relates to usage rights for electronic casinos (intangible assets) as well as property, plant and equipment (in particular properties and buildings, as well as fixtures, furniture and office equipment).

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

Italy

Measured by the number of operated gaming machines, Italy is Europe's largest gaming market. In this key European market, NOVOMATIC has been successfully implementing its dual market strategy as a producer of gaming products and operator of gaming facilities for several years. During the financial year 2016, several smaller operators of gaming facilities in Italy were acquired, primarily with the business purpose of operating gaming and bingo halls. With these acquisitions, the Group is enhancing its market position in this important core European market. The revenues of the Italian Group companies falling into the Gaming Operations segment increased once again thanks to organic and acquisition-driven growth, reaching EUR 173.8 million, compared to EUR 138.8 million in the previous year.

Great Britain

After NOVOMATIC had succeeded in entering the British market for electronic casinos (adult gaming centers or AGCs) with the acquisition of Luxury Leisure Unlimited and S.A.L. Leisure Limited in June 2014, the Group acquired 100 percent of the shares in Talarius Ltd. (Talarius) as well as its associated subsidiaries in the year under review. The Talarius Group operates 7,500 gaming machines in 162 gaming facilities in the United Kingdom. By concluding this transaction, NOVOMATIC continues its expansion strategy and is now the largest operator of gaming facilities in the "Adult Gaming Centers" sector in the UK. The agreed purchase price was GBP 102.5 million.

All in all, the Group companies active within the Gaming Operations segment were able to achieve a significant increase in revenues of EUR 123.4 million, compared to EUR 75.1 million in 2015.

Spain

In December 2015, NOVOMATIC acquired all the shares of Admiral Operations Spain S.L. (formerly Overlord Gaming S.L.), a Spanish group of companies focused on the operation of gaming facilities in Madrid. During the financial year 2016, several smaller operators of gaming facilities in Spain were acquired, primarily with the business purpose of operating gaming halls. With these acquisitions, the Group is enhancing its market position in this important European gaming market.

Following the opening of Casino Admiral San Roque north of Gibraltar in July 2016, NOVOMATIC acquired another casino in Spain with the Gran Casino Aljarafe in Seville. Revenues of all Spanish gaming companies of the NOVOMATIC Group reached EUR 35.0 million in 2016.

Netherlands

Since its market entry in 2013, NOVOMATIC has been one of the most important operators of gaming machines in the Dutch single site market (i.e. the operation of gaming machines at third-party locations such as bars). During the financial year 2014, the NOVOMATIC Group was able to enter the Dutch gaming arcade market. The Dutch market for commercial machine gaming is in a consolidation phase and can be described as fiercely competitive. The area of gaming arcades is dominated by a small number of large companies that continue to invest in gaming offers and successively acquire smaller competitors or push them out of the market.

The single site market, which is also fiercely contested, has been following a downward trend during the past few years as the number of available sites to install gaming machines steadily declined. Although the possibilities for organic growth are limited due to the maturity of the market, the Dutch Group of companies falling into the Gaming Operations segment was able to increase revenues to EUR 64.4 million in 2016, compared to EUR 62.2 million in the previous year.

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

The companies falling into the Gaming Operations segment within the regions of CEE and SEE were able to achieve a very satisfactory business development during the financial year 2016. In short, not only did the total number of locations increase, along with the number of operated gaming machines, but revenues also increased, from EUR 262.3 million in 2015 to EUR 296.9 million in the year under review.

In 2016, the Croatian operating companies were able to once again significantly increase the number of facilities operated and their revenues, both through organic growth as well as the acquisition of a smaller company.

The Serbian and Macedonian gaming operations also achieved a positive development, with revenues rising noticeably.

In Latvia, NOVOMATIC's most important market within the CEE region, the two subsidiaries, Admiralu Klubs SIA and Alfor SIA, with a total of 126 gaming facilities, defended their strong market position. The development of revenues in Latvia was very positive, posting an increase to EUR 94.5 million.

Rest of the World

The Peruvian gaming market is experiencing strong competitive pressure, although NOVOMATIC was also able to defend its market position in the year under review. The number of Peruvian gaming arcades operated remained stable during the reporting period, while revenues also demonstrated a stable development compared to the previous year at EUR 28.6 million.

Other

The external revenues in the segment Other amounted to EUR 20.4 million in the reporting period, representing a decrease compared to the previous year's level of EUR 22.0 million. Revenues in the segment 'Other' are also entirely attributable to the I-New Group.

I-New Group

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

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

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

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

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

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

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

Earnings Position

During the past financial year, NOVOMATIC AG's sales revenue amounted to EUR 76.6 million, remaining almost unchanged against the previous year.

Personnel expenses decreased against the previous year's level to EUR 7.4 million. This was mainly due to effects in connection with a company reorganization towards the end of 2015.

Other operating expenses decreased compared to the previous year's level, reaching a total of EUR 74.2 million. The cause for this decline was largely due to a reduction in the expenses for development work.

Earnings before interest, taxes, depreciation and amortization (EBITDA) improved as a result of the optimized cost structure to EUR -1.6 million compared to EUR -15.3 million in the previous year.

Depreciation and amortization fell slightly during the financial year 2016 from EUR 31.3 million to EUR 25.0 million.

The financial result decreased significantly against the previous year from EUR 79.7 million to EUR 28.9 million, essentially due to substantially lower income from shareholdings.

Financial Key Figures NOVOMATIC AG

in million EUR	2016	2015	Change
Revenue	76.6	78.5	-1.9
Personnel costs	-7.4	-12.8	5.4
Depreciation and amortization	-25.0	-31.3	6.3
Other operating expenses	-74.2	-79.3	5.1
EBITDA	-1.6	-15.3	13.7
Financial result	28.9	79.7	-50.8
Annual profit	9.3	40.6	-31.3

After the addition of income taxes amounting to EUR 6.9 million, taking the Group taxation into consideration, net profit for the year was EUR 9.3 million compared to EUR 40.6 million in 2015.

Assets Position

Fixed assets increased by EUR 211.5 million against the previous year to a total of EUR 1,430.6 million. This change was largely attributable to increases in the area of financial assets.

Compared to the previous year, current assets rose by EUR 306.0 million to EUR 527.4 million, mainly caused by higher bank deposits due to the issuance of a bond in January 2016.

In the course of a capital increase, the company's share capital increased slightly from EUR 26.0 million to EUR 26.6 million. Due to the capital increase, there was a significant increase of EUR 84.4 million in capital reserves to EUR 85.4 million. With retained earnings of EUR 1.6 million and a balance sheet profit of EUR 111.2 million being taken into consideration, equity capital increased to a total of EUR 224.8 million. Equity capital's share of total capital amounted to 11.4 percent in the year under review, compared to 12.4 percent in the previous year.

While provisions were up slightly by EUR 1.9 million, liabilities saw a significant rise. Due to the largest capital market financing action in the history of NOVOMATIC, the liabilities from bonds increased from EUR 600.0 million to EUR 1,100.0 million. Overall, liabilities increased by EUR 475.7 million to EUR 1,733.8 million.

During the past financial year, NOVOMATIC AG's balance sheet total increased by 35.9 percent to EUR 1,975.0 million.

6. Non-Financial Performance Indicators

Social and Employee Issues

During the reporting year 2016, the number of employees in the NOVOMATIC Group increased by 18.1 percent to a total of 23,849 employees (headcount as of the balance sheet date, December 31, 2016). This increase reflects the continuation of the Group's growth trajectory.

As a company with a strong international alignment, particular emphasis is placed on networking in the areas of international human resources staff. This takes place within the framework of a global HR circle, in which the strategic alignments of this area are also discussed and rolled out. The HR strategy focuses above all on matters concerning the further establishment of a compliance culture, the development of the employer brand through operational measures and further improving efficiency in the HR organizations.

When it comes to improving efficiency, the strategic project "novopeople.net" is particularly noteworthy. In the course of this HR software project, cross-border standard processes in the area of application and talent management are defined and successively implemented in the individual countries by means of this software solution. The applicant management solution was rolled out in August 2016, as part of an international pilot project with the application of the Swiss company, Umantis. Since this time, over 8,000 applications have been digitally processed into this system.

Aside from the digital components, treating future employees respectfully is very important to the Group. The NOVOMATIC career portal was the subject of a major overhaul in the course of the project, now providing a strong, Group-internal job market as well as application processes that meet the demands of Generation Y. In addition to web-based processes, the recruitment channels were also supplemented by active sourcing methods. In a study on recruitment quality in the German-speaking region, NOVOMATIC is among the top 10 of the industry ranking of BEST RECRUITERS 2016/17 in Austria and, with this result, was awarded the silver BEST RECRUITERS seal of approval for the third time in a row.

A particular focus is qualification measures across all levels, which support the innovative power of the NOVOMATIC Group and thus the ability of the Group to continue working in the future. Related topics include the further digitalization of business processes and the associated production environment (Industry 4.0) and the training of international casino/arcade managers.

A partnership with the largest external training institute in the German-speaking region – the HAUFE Academy – was concluded in 2016 to improve the depth of professional knowledge and process efficiency. The Haufe Group is, with over 1,500 employees, a specialist for professional and management knowledge in a business context, offering customers in the field of training online communities, expert portals as well as further education and training opportunities. In addition to professional depth, all operational training processes have been supported by an external provider since September 2016. Work has begun to offer the training courses around the world via partners of the HAUFE Academy. For instance, the partner Fast Lane offers globally qualified IT training courses on different topics.

Industry 4.0 – often referred to as the fourth industrial revolution – has already begun and is characterized by the increasing digitalization and networking of products, value creation chains and business models. To prepare the NOVOMATIC Group for this transformation towards greater digitalization in the economy/society, NOVOMATIC has already been a partner in an Austrian industry cluster with ten other leading globally active companies and a network comprising domestic and foreign universities under the project title “Enterprise 4.0” for one year. In addition to technological challenges, the primary focus is on preparing employees and managers in time for this change through qualification measures that have been integrated into the training program. In the course of an “Enterprise 4.0” meeting organized by NOVOMATIC in November 2016, the top management levels were brought together for the first time with the project managers of use cases to be handled by the companies involved as well as international university professors for applied research and the transfer of know-how.

The NOVOMATIC Group has a high acquisition rate, notably in the area of Operations. To take account of this trend, a high-quality training program for potential casino managers and area managers for arcades was launched. The program has been designed as cross-border training, combining professional training topics as well as practical work in the area of Operations. These measures are complemented by coaching and individual measures. In a next step, there are plans to offer this program in cooperation with several universities as a certified program with an academic qualification.

NOVOMATIC pursues a sustainable course when it comes to the topic of diversity. The Group holding company NOVOMATIC AG and the Austrian producing subsidiary NOVOMATIC Gaming Industries GmbH had themselves audited in this important area as part of the certificate for an age-appropriate working world, and NOVOMATIC was awarded the “NESTOR^{GOLD}” certificate in November 2016. The two Austrian subsidiaries falling into the Gaming Operations segment, ADMIRAL Casinos & Entertainment AG and Admiral Sportwetten GmbH, received the “NESTOR^{GOLD} Bewegt” certificate for their initiatives in respect of responsible generation management. The demographic development shows that sustainable generation management is important to keep employees healthy and motivated for longer at work. Investing in employees and promoting the dialog of generations among employees is essential to be able to safeguard the retention and transfer of knowledge in the NOVOMATIC Group over the long term.

7. Prospective Development of the Group

In its latest analysis, the International Monetary Fund (IMF) assumes a global growth rate of 3.4 percent⁵ for 2017. Analysts at GBGC⁶ also expect a similar trend, forecasting an increase in global gaming expenditures of 3.5 percent in 2017. NOVOMATIC plans to continue its successful growth strategy, aiming to achieve market-leading positions in large, regulated markets. During the financial year 2017, revenues are expected to rise further, although it can be assumed that the regulatory environment will also remain challenging in the key markets in the coming year.

In the home market of Austria, licenses for state-licensed gaming in Lower Austria and Burgenland were repealed by the Federal Administrative Court (VwGH). After continued proceedings, the gaming license for 1,339 gaming machines in Lower Austria was issued again to ADMIRAL Casinos & Entertainment AG (ACE) in December 2016. This notice was then contested through complaints by three competitors. A decision by the Lower Austrian Provincial Administrative Court is expected in the second quarter of 2017. Continued operations are guaranteed until November 2017, due to the statutory duty to continue operations and a declaratory notice. The continued operation of the 110 approved gaming machines in Burgenland is guaranteed until June 2017, and a decision concerning the ongoing selection procedure is still pending.

The First State Treaty amending the current Interstate Gambling Treaty in Germany (Glücksspieländerungsstaatsvertrag, GlüÄndStV) came into effect on July 1, 2012. A further amendment concerning the area of sports betting is currently being reviewed by the European Commission. The First State Treaty amending the current Interstate Gambling Treaty in Germany essentially involves creating distance regulations between gaming arcades and youth facilities. It also includes a ban on multiple concessions, thereby limiting a site to a maximum of 12 gaming machines. A (fundamental) transitional period of five years was granted to implement the restrictive new regulations, which means that the provisions are applicable from July 1, 2017. It is to be expected that the current legal situation will have an even greater impact on the restrained and muted willingness of the German gaming industry to invest in the future. Furthermore, there is a risk that players will move into unregulated markets or take advantage of illegal offers. NOVOMATIC expects a declining market in the German Gaming Arcades segment from July 1, 2017, although higher device utilization should have a certain compensatory effect. If gaming arcades need to be made smaller or closed, this will, however, have a negative impact on revenues (from the rental of gaming machines or the operation of gaming machines).

In the core market of Italy, the government is considering a further increase in gaming-related taxes for the financial year 2017. At the time the Group management report was prepared, it was unclear whether, when and to what extent such measures will be decided. If implemented, however, additional pressure on earnings can be expected. In 2016, numerous licenses for online gaming, sports betting and bingo in Italy expired which, however, were prolonged pending a new tender expected during 2017. The reason for the delay of the new tender is due to both the unexpected change in government as a result of the failed referendum on constitutional reform in 2016 and the lack of coordination between municipalities and the federal government to reach an agreement on the framework conditions for the gaming and betting business. Despite the challenging regulatory environment, NOVOMATIC expects a further increase in revenues as a result of organic and acquisition-driven growth.

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

In the regions of Central and Eastern Europe (CEE) and South Eastern Europe (SEE), rising revenues are expected. Countries such as Romania and Croatia, which offer stable gaming markets, contribute significantly to this positive development.

The acquisition of approximately 53 percent of the shares in Ainsworth Game Technology Ltd. (Ainsworth), the closing of which is still outstanding due to formal approval requirements from various international licensing and regulatory authorities and not expected before the third quarter of 2017, represents another milestone in the history of NOVOMATIC. The acquisition is of major

⁵ According to the World Economic Outlook provided by the International Monetary Fund (IMF)

⁶ Global Gambling Report by GBGC

strategic importance as it paves the way to access the enormously important North American market, a region with almost one million operated gaming machines. Ainsworth is also a market leader in gaming-enthusiastic Australia and has a strong presence in the Latin American market.

For 2017, the NOVOMATIC Group companies active in the area of online gaming are likely to be confronted with a challenging market environment. Growth rates will slow further as a result of increased competitive pressure. At the same time, higher costs for acquiring new customers and securing customer loyalty, as well as rising taxes, will influence profitability.

8. Risk Management

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

Risk Management System

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

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

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

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

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

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

Control Environment

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

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

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

Risk Assessment

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

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

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

Control Activities

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

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

Information and Communication

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

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

Monitoring

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

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

Compliance

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

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

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

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

Significant Risks and Uncertainties

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

Business and Market Risks

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

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

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

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

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

It is possible that not all major risks related to acquisitions, joint ventures and investments are identified, which may have a substantial negative impact on the asset, financial and earnings positions of the NOVOMATIC Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks due to product liability or product defects

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

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

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

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

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

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

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

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

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

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

The security mechanisms of the NOVOMATIC organization could fail

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

Risks related to changes in customer behavior

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

The NOVOMATIC Group is subject to competitive risks

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

The NOVOMATIC Group is dependent on certain markets

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

Legal and Geographic Risks

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

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

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

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

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

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

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

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

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

Risks related to legal proceedings and arbitration proceedings

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

Risks due to the possible tightening of regulatory measures

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

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

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

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

The NOVOMATIC Group is subject to risks related to intellectual property

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

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

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

The NOVOMATIC Group is subject to the risk of being unable to sufficiently protect its customer data

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

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

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

Risks due to audits by tax authorities

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

Financial Risks and Usage of Financial Instruments

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

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

9. Research and Development

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

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

In developing the newest generation of cabinet variants and models, which start new industry trends, industrial design is an extremely important factor. Innovations in terms of hardware include new and ergonomic cabinet designs for casino, video lottery and AWP gaming markets with control possible via up to five monitors; skill-based roulette facilities with state-of-the-art ball release mechanisms; the new GAMINATOR® Scorpion cabinet and V.I.P. terminals with giant screen technology and dynamic lighting effects via LED technology. In terms of data security, increasing emphasis is being placed on physical random number generators that use quantum mechanics.

New categories of game features included in the portfolio are "Allpay", "ExtraBet", "Quattro", "Reel Refill", "Fixed Wilds", "Xtra Stax" and "WinWays", to name a few. Standalone progressive jackpots (referred to as "SAP Jackpots") further expand gaming offerings, as does a new Egyptian-themed jackpot named "Kingdom of Ra". NOVOMATIC is also represented in the field of branded games through licenses for Christopher Nolan's Batman trilogy and the Sherlock Holmes films by Guy Ritchie. A license for the cult TV series MacGyver could be acquired as the most recent brand.

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

The global importance of intellectual property protection is on the rise. With more than 4,000 registered IP trademarks and in excess of 100 registrations per year, this area is paid special attention. The Group is constantly developing new products and product variations, resulting in over 300 new gaming variants per year. With the help of the software development kit (SDK), it is possible to add games developed by third-parties (who use this SDK) to the portfolio immediately. 20 companies around the world are now working with this SDK, thereby adding to NOVOMATIC's already extensive portfolio of games.

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

10. Acknowledgments

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

Gumpoldskirchen, March 31, 2017



Harald Neumann
Chairman,
Chief Executive Officer, CEO



Ryszard Presch
Deputy Chairman,
Chief Operating Officer, COO



Thomas Graf
Chief Technology Officer, CTO



Peter Stein
Chief Financial Officer, CFO



Dr. Christian Widhalm
Chief Investment Officer, CIO

Consolidated Balance Sheet as of December 31, 2016

EUR m	Notes	12/31/2016	12/31/2015
ASSETS			
Non-current assets			
Intangible assets	(7.1, 7.3)	702.8	498.2 ¹
Property, plant and equipment	(7.2, 7.3)	955.1	856.9 ¹
Investment property	(7.4)	21.1	18.7
Investments in associated companies	(7.5)	0.2	0.2
Financial assets	(7.6)	237.8	204.1
Deferred tax assets	(7.7)	93.2	94.3
Other non-current assets	(7.8)	116.9	111.3
		2,127.1	1,783.7
Current assets			
Inventories	(7.9)	225.5	191.9
Trade receivables, other receivables and assets	(7.10)	372.5	359.2
Current tax receivables	(7.7)	34.0	30.5
Current financial assets	(7.11)	31.3	32.3
Cash and cash equivalents	(7.12)	877.8	585.4
Assets held for sale	(7.13)	0.0	0.2
		1,541.1	1,199.5
Total ASSETS		3,668.2	2,983.2
EQUITY AND LIABILITIES			
Equity			
Share capital	(7.14)	26.6	26.0
Capital reserves	(7.15)	85.4	1.0
Retained earnings	(7.16)	1,245.6	1,172.5 ¹
Revaluation reserve	(7.17)	5.2	-8.6
Currency translation adjustment	(7.18)	-53.8	-24.1 ¹
		1,309.1	1,166.9
Non-controlling interests	(7.19)	62.5	48.4 ¹
		1,371.6	1,215.3
Non-current liabilities			
Non-current financial liabilities	(7.20)	1,395.1	1,043.7
Non-current provisions	(7.21)	66.1	52.1
Non-current tax liabilities	(7.7)	11.0	18.3
Deferred tax liabilities	(7.7)	90.4	66.0 ¹
Other non-current liabilities	(7.22)	19.6	24.8
		1,582.3	1,204.8
Current liabilities			
Current financial liabilities	(7.23)	210.8	36.9
Current provisions	(7.24)	68.7	48.1
Current tax liabilities	(7.7)	33.9	27.8
Trade payables and other liabilities	(7.25)	401.0	450.4
		714.4	563.1
Total EQUITY AND LIABILITIES		3,668.2	2,983.2

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 or IFRS 3 "Business combinations"

Consolidated Profit and Loss Account for Financial Year 2016

EUR m	Notes	01–12/2016	01–12/2015
Revenues	(8.1)	2,294.1	2,086.3
Gaming taxes and betting fees	(8.2)	-238.3	-191.4 ¹
Revenues less gaming taxes and betting fees		2,055.9	1,894.9¹
Changes in inventories of finished goods and work in progress	(8.3)	21.0	8.2
Own work capitalized	(8.3)	194.6	147.6
Other operating income	(8.4)	109.0	124.6
Cost of material and other purchased services	(8.5)	-358.6	-282.8
Personnel costs	(8.6)	-676.8	-567.8
Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property	(8.7)	-324.4	-301.3 ¹
Other operating expenses	(8.8)	-756.7	-707.9
Operating profit		264.1	315.4
Interest income	(8.9)	7.8	8.4
Other financial income	(8.10)	12.6	24.4
Interest expenses	(8.11)	-37.2	-32.1
Other financial expenses	(8.12)	-12.1	-13.4
Currency exchange gains/losses from intra-group financing	(8.13)	-5.8	5.8
Financial result		-34.7	-7.0
Earnings before taxes		229.4	308.5
Income taxes	(8.14)	-75.0	-95.8 ¹
Net income for the year		154.4	212.7
thereof attributable to non-controlling interests		6.8	4.5
thereof attributable to shareholders of the parent (net profit)		147.6	208.2 ¹

¹⁾ Adjustment of previous year's figures according to IAS 8

Consolidated Statement of Comprehensive Income for Financial Year 2016

EUR m	Notes	01–12/2016	01–12/2015
Net income for the year		154.4	212.7
Amounts that will be reclassified to profit and loss account in subsequent periods			
Currency translation	(7.18, 7.19)	-29.9	6.8 ¹
Market value of financial assets available for sale	(7.17)	18.4	1.0
Apportionable income tax		-4.6	-0.2
Amounts that will not be reclassified to profit and loss account in subsequent periods			
Revaluation of the net defined benefit liability	(7.16)	-3.0	-0.8
Apportionable income tax		0.8	0.2
Other comprehensive income after taxes		-18.3	7.0
Total comprehensive income		136.1	219.8
thereof attributable to non-controlling interests		6.7	4.4
thereof attributable to shareholders of the parent (net profit)		129.4	215.3 ¹

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 or IFRS 3 "Business combinations"

Consolidated Cash Flow Statement for Financial Year 2016

EUR m	Notes	01–12/2016	01–12/2015
Operating profit		264.1	315.4¹
Loss (+) / Gain (-) from the disposal of fixed assets		-9.6	-13.1
Depreciation (+) / Appreciation (-) of fixed assets		324.4	301.3 ¹
Other non-cash income and expenses		-33.2	-44.4
Interest received and interest-related income		13.0	10.3
Taxes paid		-89.7	-125.9
		469.0	443.7
Increase (-) / Decrease (+) in inventories		-30.4	-9.8
Increase (-) / Decrease (+) in receivables		-31.8	-38.8
Increase (+) / Decrease (-) in provisions		24.9	0.3
Increase (+) / Decrease (-) in liabilities		-2.4	22.0
Cash flow from operating activities		429.2	417.4
Proceeds from the disposal of fixed assets (excluding financial assets)		76.2	63.6
Proceeds from the disposal/repayment of financial assets		106.3	6.2
Proceeds from the sale of consolidated companies, net of cash		51.9	54.8
Acquisition of intangible assets, property, plant and equipment		-415.3	-308.0
Acquisition of financial assets and other financial investments		-139.4	-176.3
Acquisition of consolidated companies, net of cash		-199.8	-89.5
Results from associated companies and investments		0.3	0.0
Investment income from other investments		0.0	9.3
Cash flow from investing activities		-519.8	-439.9
Proceeds from capital increase		85.0	0.0
Dividend payments		-50.8	-161.3
Proceeds from non-controlling interests		0.3	0.0
Expenditures from change in interests in subsidiaries (without change of control)		-16.5	-18.2
Proceeds from the issuance of bonds		492.7	0.0
Expenditures from the redemption of bonds		0.0	-189.4
Proceeds from bank loans and financial liabilities		135.7	430.6
Payouts from bank loans and financial liabilities		-133.0	-120.2
Interest paid and interest-related expenses		-38.9	-46.7
Cash flow from financing activities		474.5	-105.2
Net change in cash and cash equivalents		383.9	-127.7
Currency translation adjustments		-8.6	2.5
Changes in cash and cash equivalents due to changes in scope of consolidation		0.1	0.5
Net change in cash and cash equivalents		375.3	-124.7
Cash and cash equivalents at the beginning of the period	(7.12, 9)	502.5 ²	627.2
Cash and cash equivalents at the end of the period	(7.12, 9)	877.8	502.5 ²
Net change in cash and cash equivalents		375.3	-124.7

¹⁾ Adjustment of previous year's figures according to IAS 8

²⁾ The cash and cash equivalents shown on the balance sheet amounted to EUR 585.4 million in 2015. The deviation of EUR 82.9 million against the cash and cash equivalents disclosed in the cash flow statement was the result of funds tied up for tax liabilities. Further details are provided in note (7.12) and (9).

Consolidated Statement of Changes in Equity for Financial Year 2016

EUR m	Shares of shareholders of NOVOMATIC AG						Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment	Total		
As of 1/1/2016	26.0	1.0	1,172.5	-8.6	-24.1	1,166.9	48.4	1,215.3
1) Total comprehensive income								
Net income for the year	0.0	0.0	147.6	0.0	0.0	147.6	6.8	154.4
Other comprehensive income	0.0	0.0	-2.1	13.8	-29.9	-18.2	0.0	-18.3
2) Dividend payments	0.0	0.0	-50.0	0.0	0.0	-50.0	-0.8	-50.8
3) Change in non-controlling interests	0.0	0.0	-14.1	0.0	0.1	-14.0	-2.5	-16.5
4) Changes in the scope of consolidation	0.0	0.0	0.3	0.0	0.0	0.3	10.4	10.7
5) Obligation from written put options for non-controlling interests	0.0	0.0	-8.6	0.0	0.0	-8.6	0.0	-8.6
6) Capital increase	0.6	84.4	0.0	0.0	0.0	85.0	0.3	85.3
As of 12/31/2016	26.6	85.4	1,245.6	5.2	-53.8	1,309.1	62.5	1,371.5

EUR m	Shares of shareholders of NOVOMATIC AG						Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment	Total		
As of 1/1/2015	26.0	1.0	1,139.9	-9.4	-30.9	1,126.5	47.8	1,174.3
1) Total comprehensive income								
Net income for the year	0.0	0.0	208.2 ¹⁾	0.0	0.0	208.2	4.5	212.7
Other comprehensive income	0.0	0.0	-0.6	0.9	6.9 ¹⁾	7.1	-0.1	7.0
2) Dividend payments	0.0	0.0	-152.0	0.0	0.0	-152.0	-9.3	-161.3
3) Change in non-controlling interests	0.0	0.0	-9.6	0.0	0.0	-9.6	-5.3	-14.9
4) Changes in the scope of consolidation	0.0	0.0	-11.7	0.0	0.0	-11.7	10.7 ¹⁾	-1.1
5) Obligation from written put options for non-controlling interests	0.0	0.0	-2.8	0.0	0.0	-2.8	0.0	-2.8
6) Other equity transactions	0.0	0.0	1.2	0.0	0.0	1.2	0.0	1.2
As of 12/31/2015	26.0	1.0	1,172.5	-8.6	-24.1	1,166.9	48.4	1,215.3

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 according to IFRS 3 "Business combinations"

Notes to the Consolidated Financial Statements

as of December 31, 2016

(1) Information about the Company

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

The NOVOMATIC Group is a globally operating, integrated gaming technology and entertainment company. The Group develops, manufactures and sells gaming products, lottery technologies and networked system solutions for domestic and international gaming and betting markets. The NOVOMATIC Group, furthermore, operates more than 1,700 gaming facilities worldwide, including casinos, automated casinos, bingo facilities and sports betting outlets.

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

(2) Accounting Principles

The present consolidated financial statement as of December 31, 2016, was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). The requirements of Sec. 245a para 1 of the Austrian Commercial Code have likewise been fulfilled.

The financial year corresponds to the calendar year. The financial statements of every fully consolidated domestic or foreign company included in the consolidated financial statement for 2016 were prepared as of the balance sheet date of the consolidated financial statements.

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

(3) Scope of Consolidation

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

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

Affiliated companies, whose influence on the net assets, financial and earnings position 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.

The scope of consolidation developed as follows:

Scope of consolidation	Fully consolidated	Valued at equity	Joint activity
As of 1/1/2016	188	1	1
First time inclusion in 2016	40	0	0
Disposed of in 2016	-4	0	0
Merged in 2016	-7	0	0
Switched from valuation using the equity method to fully consolidated in 2016	0	0	0
As of 12/31/2016	217	1	1
thereof non-Austrian companies	198	0	1

A summary of fully consolidated subsidiaries, companies consolidated using the equity method, joint operations and non-consolidated affiliated companies can be found under other disclosures.

During 2016, the Group acquired or founded the following subsidiaries:

- Admiral Gaming Castilla y Leon S.L., Spain
- AGI Novomatic Tunisia S.A.R.L., Tunisia
- Ainsworth UK Ltd., United Kingdom
- Albanisch Österreichische Lotterien Holding Gesellschaft m.b.H., Austria
- Automaten Service Playtime GmbH, Germany
- BeKu Automaten & Gastronomie Service GmbH, Germany
- Bingo Time Vicenza S.r.l., Italy
- Blue Sky d.o.o., Croatia
- Bolus d.o.o., Croatia
- City Freizeitanlagen GmbH, Germany
- Casino delle Alpi S.r.l., Italy
- Casino Rixos GmbH, Germany
- Comercial Txartel S.L., Spain
- El Dolar de plata Linense S.L., Spain
- El Dorado Derby S.L., Spain
- Electro System S.p.A., Italy
- Ellepi Ges. S.r.l., Italy
- EZEA GmbH, Germany
- Gran Casino Aljarafe S.A., Spain
- I-New Peru S.A.C., Peru

- Königstraße Spielstätten und Automaten UG, Germany
- Lotaria Kombëtare Sh.p.k., Albania
- MG Gaming S.r.l., Italy
- Millenium S.r.l., Italy
- Moislinger Spielstätten und Automaten UG, Germany
- Mühlenstraße Spielstätten und Automaten UG, Germany
- Novomatic Services Spain S.L., Spain
- Orione S.r.l., Italy
- Otiumgi S.L., Spain
- Promotrice Giochi S.r.l., Italy
- RAL Ltd., United Kingdom
- Recreativos Hispajuegos S.L., Spain
- Red Devil Spielothek GmbH, Germany
- S4Gaming S.L., Spain
- Super Sansa d.o.o., Croatia
- Talarius Ltd., United Kingdom
- Turhan Spielsalon GmbH, Germany
- Verajuegos S.L., Spain
- ZS Casino Emsland GmbH, Germany

Novo Panama S.de R.L. was moved from the non-consolidated companies to the scope of fully consolidated companies as of January 1, 2016.

Subsidiaries in Iceland, Croatia, Romania, Slovakia and Austria were merged.

(4) Accounting Policies

Standards and Interpretations to be Applied for the First Time in Financial Year 2016

The following new or revised standards and interpretations were adopted by EU legislation and implemented for the first time in the financial year 2016:

Standard/Interpretation	
IAS 1	Disclosure Initiative
IAS 16, IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
IFRS 11	Acquisition of an Interest in a Joint Operation
Miscellaneous	Annual Improvements to IFRS 2010 – 2012
Miscellaneous	Annual Improvements to IFRS 2012 – 2014

When implementing IAS 1 "Disclosure Initiative", the structure of the notes was redesigned, and the notes and explanations realigned in consideration of materiality and relevance. The application of the other amendments had no significant impact on the consolidated financial statement.

Standards and Interpretations Already Published, but only to be Applied in Future Periods

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

Standard/Interpretation	Obligatory application for the financial years from
IAS 7 Disclosure Initiative	January 1, 2017 ¹⁾
IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017 ¹⁾
IFRS 10, IAS 28 Sales or Contributions of Assets between an Investor and its Associate or Joint Venture	moved ¹⁾
IAS 40 Investment Property	January 1, 2018 ¹⁾
IFRS 9 Financial Instruments	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Clarification to IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018 ¹⁾
IFRS 16 Leasing	January 1, 2019 ¹⁾
Miscellaneous Annual Improvements to IFRS 2014 – 2016	January 1, 2017 and 2018 ¹⁾
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018 ¹⁾

¹⁾ Not adopted by EU legislation so far

The introduction and implementation of the aforementioned standards and interpretations in the NOVOMATIC Group are intended from the time of mandatory application taking into account any potential exemptions.

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

IFRS 9 also requires comprehensive new disclosures and changes in the presentation. This relates in particular to the areas of hedge accounting and impairments. It is to be expected that these requirements will influence the nature and extent of disclosures concerning financial instruments in the year of first-time application.

IFRS 9 is to be applied for the first time in the financial years commencing on or after January 1, 2018. NOVOMATIC does not plan to adopt the new standard early.

The new IFRS 15 "Revenue from Contracts with Customers" regulates the recognition of revenue and thus replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. Pursuant to IFRS 15, revenues are to be recognized when the customer acquires the power to dispose of the agreed goods and services and may derive a benefit from them. The standard provides for a five-step model to recognize revenues. The first step is to identify the contract/contracts with customers and the independent performance obligations so as then to determine the transaction price and divide up the contractual performance obligations. NOVOMATIC generates revenue primarily in the following areas:

- Revenue from the operation of gaming machines
- Rental and management revenue from gaming machines
- Sales revenues from gaming machines
- Revenue from eBusiness
- Betting revenues

NOVOMATIC is just starting a project to determine and evaluate the possible effects of the future application of the new standards. Work is currently beginning to analyze the regulations of IFRS 15 for the individual areas listed above, with a focus on:

- Examining the summary of contracts
- Examining the contract for individual lease obligations
- Handling any variables in the transaction price
- Interaction of IFRS 15 and IFRS 16 in the rental business

The current status of the investigation does not permit any deeper explanations of possible effects from the future application of IFRS 15.

IFRS 15 is to be applied for the first time in the financial years commencing on or after January 1, 2018. NOVOMATIC does not plan to adopt the new standards early.

The new IFRS 16 "Leasing" regulates the recognition, measurement and reporting, as well as the disclosure requirements, regarding leases. For the lessee, the standard provides a single accounting model. This model results in the lessee having to recognize all assets and liabilities from lease agreements in the balance sheet. The only exceptions are for current leases and leases for low-value assets. Lessors, on the other hand, continue to differentiate between financing and operating leases. The NOVOMATIC Group will initiate a detailed analysis of the impact of IFRS 16 shortly. At a general level, it is expected that the recognition of usage rights and leasing liabilities from the contracts previously classified as operating leases, where the Group acts as lessee, will be enhanced. The most important effect is apparent in the area of operated gaming arcades or locations that are largely rented by third-parties. As of the balance sheet date, the NOVOMATIC Group had non-cancellable operating lease agreements of EUR 275.1 million (reference to note pursuant to IAS 17).

IFRS 16 is to be applied for the first time in the financial years commencing on or after January 1, 2019. NOVOMATIC does not plan to adopt the new standards early.

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

Basis of Consolidation

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

The acquired identifiable assets and liabilities are measured at their fair value at the date of acquisition, unless there are exceptions. 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 the consideration transferred is below the identifiable net assets, the difference is recognized against income after a reevaluation of the acquired net assets.

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

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal.

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

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

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

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

Foreign Currency Translation

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

Apart from the positions within equity, all balance sheet items are translated into the reporting currency at the exchange rate prevailing on December 31, 2016. Income and expense items of foreign consolidated companies are translated at average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income. Upon the elimination of a foreign company from the consolidation scope, the exchange difference is recognized in profit or loss.

The exchange rates used for currency translation developed as follows:

Equivalent amount = EUR 1	Exchange rate prevailing at the balance sheet date		Average exchange rate for the year	
	12/31/2016	12/31/2015	2016	2015
British Pound	0.8575	0.7350	0.8228	0.7240
Croatian Kuna	7.5500	7.6410	7.5310	7.6164
Macedonian Dinar	61.5520	61.5817	61.5594	61.5516
Peruvian New Sol	3.5200	3.7228	3.7165	3.5337
Romanian Leu	4.5420	4.5240	4.4922	4.4398

Intangible Assets and Goodwill

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

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

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

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

The estimated useful lives for intangible assets and goodwill are:

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

Property, Plant and Equipment

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

The estimated useful lives for property, plant and equipment are:

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

Investment Property

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

Leasing

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

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

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

Inventories

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

Other Assets

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

Financial Instruments

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

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

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

Loans and Receivables

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

Available-for-sale Financial Assets

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

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

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

Financial Liabilities Recognized at Amortized Cost

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

Financial Liabilities Measured at Fair Value through Profit or Loss

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

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

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

Impairment of Financial Assets

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

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

Recognition and Derecognition

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

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

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

Provisions

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

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

Contingent Liabilities

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

Revenue and Expense Recognition

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

Betting income is recognized according to the number of bets placed up to the balance sheet date, insofar as the underlying bets have already taken place. Revenues from betting operations are shown as net amounts resulting from bets and payouts from betting. Operating expenses are recognized when incurred or at the date of use of the service.

Financial Result

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

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

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

Taxes

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

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

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

Important average tax rates used by Group companies are:

Country	2016 tax rate	2015 tax rate
Chile	24 %	22.5 % and 24 %
Germany	15.825 %–57.2 %	15.825 %–57.2 %
United Kingdom	20 %	18 % and 20 %
Italy	27.5 % to 31.4 %	24 %–31.4 %
Croatia	20 %	20 %
Latvia	15 %	15 %
Malta	5 % and 35 %	5 % and 35 %
Macedonia	10 %	10 %
Netherlands	25 %	25 %
Austria	25 %	25 %
Peru	28 %	28 %
Romania	16 %	16 %
Spain	25 %	25 % and 28 %
United States	40 %	40 %

Fair Value Measurement

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

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

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

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

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

Estimates and Judgments

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

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

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

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

Assumptions are necessary for estimating the useful life of property, plant and equipment, and intangible assets.

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

The fair value of financial assets (if reliably determinable), as well as derivatives, is derived based on market information available on the balance sheet date. When calculating the market value of financial investments, a multiplier method is used as there is no active market available for this. The parameters used in the measurement may be fraught with predictive uncertainty and, similarly, the selection of the suitable peer group requires assumptions about their comparability. In the face of varying influencing factors, the values disclosed may deviate from values realized at a later point in time.

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

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

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

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

Changes in Recognition

Gaming taxes and betting fees are levied in different amounts in the jurisdictions in which the NOVOMATIC Group is active as operator of gaming arcades and casinos, as well as betting shops and sports betting outlets. The different taxes range from fixed taxes to taxes that depend on gross gaming revenue (GGR) or insertion (IN), although, within these categories, there may be an arrangement for minimum and maximum amounts. The tendency has been for the calculation basis for gaming taxes and betting fees in the Group's core markets to become a variable form of taxation.

The recognition of gaming taxes and betting fees is therefore, from this financial year, directly in revenues in the consolidated profit and loss account, so as to achieve an informative presentation for the target audience of the financial statement.

Adjustment of the Comparative Information of the Consolidated Financial Statement as of December 31, 2015

The values as of December 31, 2015, were corrected as per IAS 8.41 et seq.

At the end of December 2015, a long-standing contract on the provision of services in the field of software for a Scandinavian customer was, contrary to expectations, not extended. This means that the existing contract expires at the end of 2017. The effects on capitalized customer relationships were not taken into account in the consolidated financial statement as of December 31, 2015. An impairment of EUR 10.0 million should have been recognized for customer relationships.

The following tables show the effects of the adjustments on the individual items of the consolidated balance sheet and the consolidated statement of comprehensive income. There is no effect on the opening balance of the previous year.

Effects as a result of error correction			
EUR m	Previously reported 12/31/2015	Adjustment 12/31/2015	Adjusted 12/31/2015
Non-current assets			
Intangible assets	507.5	-10.0	497.5
Equity			
Retained earnings	1,180.5	-8.0	1,172.5
Non-current liabilities			
Deferred tax liabilities	70.4	-2.0	68.4

Effects as a result of error correction			
EUR m	Previously reported 12/31/2015	Adjustment 12/31/2015	Adjusted 12/31/2015
Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property	-291.3	-10.0	-301.3
Operating profit	325.4	-10.0	315.4
Earnings before taxes	318.5	-10.0	308.5
Income taxes	-97.8	2.0	-95.8
Net income for the year	220.7	-8.0	212.7

(5) Company Acquisitions in 2016

Talarius Group, United Kingdom

As of June 24, 2016, the Group company NOVOMATIC UK Ltd. acquired 100 percent of the shares in the British gaming operator Talarius Ltd. The acquired company operates 7,500 gaming terminals in 162 gaming facilities via its operating subsidiary RAL Ltd. With this acquisition, the Group is continuing its expansion strategy, becoming the largest operator of adult gaming centers in the UK.

The Talarius Group has been included on the basis of provisional fair values for the acquired assets and assumed liabilities. When recording the acquisition on the balance sheet, trademarks and usage rights in particular for the operation of approved gaming arcades (licenses) were identified and valued. The allocation of the total purchase price has not yet been completed. There may be changes uncovered in particular regarding intangible assets and goodwill.

The provisional fair values at the acquisition date are as follows:

EUR m	Fair values
Intangible assets	102.9
Property, plant and equipment	22.0
Other non-current assets	1.3
Deferred tax assets	4.8
Inventories	0.1
Cash and cash equivalents	8.6
Other current assets	3.6
Non-current liabilities and provisions	-3.7
Deferred tax liabilities	-18.6
Current liabilities and provisions	-15.4
Net assets	105.6
Non-controlling interests	0.0
Goodwill	20.1
Consideration	125.7

The consideration amounting to EUR 125.7 million has been paid in cash. Goodwill resulting from the acquisition reflects expected strategic advantages for the Group due to the expansion of operational business activities and further potential growth through synergies. None of the goodwill resulting from this acquisition is tax-deductible.

Revenue amounts to EUR 45.9 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR 3.9 million.

Other Company Acquisitions

Germany

On January 25, 2016, 100 percent of the shares in the newly founded company Turhan Spielsalon GmbH were acquired, followed by the transfer of 5 gaming arcades. This means that the acquired company operates 5 gaming arcades in Schleswig-Holstein.

On April 1, 2016, 100 percent of the shares in Red Devil Spielothek GmbH were also acquired. The acquired company operates 4 gaming arcades in Baden-Württemberg.

On May 2, 2016, 100 percent of the shares in the three German companies Königstrasse Spielstätten und Automaten UG, Moisinger Spielstätten Automaten UG, and Mühlenstrasse Spielstätten und Automaten UG were acquired, respectively. The acquired companies operate a total of 3 gaming arcades in Schleswig-Holstein.

The acquisition of 100 percent of the shares in Casino Rixos GmbH as of June 7, 2016, ZS Casino Emsland GmbH as of July 15, 2016, and EZEА GmbH as of July 25, 2016, was also completed. The acquired companies operate a total of 18 gaming arcades spread across Hesse, Lower Saxony and North-Rhine Westphalia.

On June 7, 2016, 100 percent of the shares in Automaten Service Playtime GmbH were acquired. The acquired company operates 3 gaming arcades in Schleswig-Holstein.

On September 15, 2016, 100 percent of the shares in City Freizeitanlagen GmbH were acquired. The acquired company operates 5 gaming arcades in Schleswig-Holstein.

On December 2, 2016, 100 percent of the shares in Beku Automaten & Gastronomie Service GmbH were acquired. The acquired company operates 7 gaming arcades in North Rhine-Westphalia.

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

Italy

On January 1, 2016, 75 percent of the shares in Electro System S.p.A. were acquired. The acquired company develops and manufactures CPUs for AWP gaming machines. Call and put options have been agreed upon for the remaining 25 percent stake of non-controlling interests. The obligation resulting from the written put option was balanced as a liability. With this acquisition, the Group enhances its production capacity for the Italian market.

On January 29, 2016, Allstar S.r.l. acquired 100 percent of the shares in Alpina Entertainment S.r.l. and promptly merged. The subject of the transaction is the placement of 460 AWPs in hospitality establishments. Furthermore, on July 7, 2016, 100 percent of the shares in MG Gaming S.r.l. were acquired. The subject of the transaction is primarily the placement of 636 AWPs in hospitality establishments. This and the aforementioned acquisition enhance the Group's market position in the Italian market for machine placement.

On February 19, 2016, 100 percent of the shares in Newco S.r.l., an operator of 7 gaming arcades in the Emilia-Romagna region were acquired and promptly merged with Allstar S.r.l. Furthermore, on August 5, 2016, 51 percent of the shares in Casino delle Alpi were acquired. The acquired company operates 5 gaming arcades in several regions in Italy. With this acquisition, the Group enhances its activities as an operator of gaming arcades.

On April 1, 2016, 100 percent of the shares in Promotrice Giochi S.r.l. were acquired. The company operates a bingo hall in the area of Milan. On June 10, 2016, 100 percent of the shares in Ellepi Ges S.r.l., an operator of a bingo hall in the Latium region, were acquired. Furthermore, on July 15, 2016, 100 percent of the shares in Orione S.r.l., an operator of a bingo hall in the area of Abruzzo, were acquired. On November 30, 2016, 100 percent of the shares in Bingo Time Vicenza S.r.l., which operates two bingo halls in the Veneto region, were also acquired. With these acquisitions, the Group has expanded its existing portfolio in Italy to include bingo activities.

Spain

On July 7, 2016, 60 percent of the shares in Verajuegos S.L. and Recreativos Hispajuegos S.L. were acquired. The two acquired companies operate a total of 7 existing gaming arcades and 3 new sites in Andalusia.

On July 11, 2016, 100 percent of the shares in El Dolar de Plata Linense S.L., an operator of a gaming arcade in Cádiz, were acquired.

On September 26, 2016, 80 percent of the shares in El Dorado Derby S.L. and Comercial Txartel S.L. were acquired. These two acquired companies operate a total of 8 gaming arcades in the Basque Country.

With these acquisitions, the Group has successfully increased its presence as an operator of gaming arcades in several regions across Spain and entered the market in the Basque Country.

On July 21, 2016, 60 percent of the shares in OTIUMGI S.L., as well as its wholly owned subsidiary S4Gaming S.L., were acquired. The acquired companies develop video bingo software for customers primarily in Latin America. With these acquisitions, the Group would like to expand in the Latin American market with regards to video bingo technology.

On July 29, 2016, 99.46 percent of the shares in Gran Casino Aljarafe S.A. were acquired. The other non-controlling shares have also since been acquired. The company is the only casino operator in the region of Seville. The current license issued allows the casino to be operated until 2023. With this acquisition of a casino operator, the Group has expanded the scope of its activities in Spain.

United Kingdom (other acquisitions)

On April 15, 2016, NOVOMATIC UK Ltd. acquired 100 percent of the shares in Ainsworth (UK) Ltd. The acquired company is a company selling AWP gaming machines of the Australian manufacturer Ainsworth to the European market. With this transaction, the Group has expanded its sales channels.

Croatia

On May 17, 2016, Novo Gaming d.o.o. acquired 100 percent of the shares in Bolus d.o.o., as well as its subsidiary Super Sansa d.o.o. The acquired companies operate 96 betting shops and 2 gaming arcades, each with 30 AWP gaming machines.

On June 1, 2016, the Group company also acquired 100 percent of the shares in Blue Sky d.o.o. The acquired company operates a casino in Split, with 13 live game gaming tables, 1 multiplayer roulette and 177 AWP gaming machines.

With these acquisitions, the Group continues its expansion strategy in the Croatian gaming market. With a view to concentrating operating activities, all acquired companies were merged with the existing Group company Interigre d.o.o.

Albania/Austria

On November 30, 2016, 100 percent of the shares in the Albanisch Österreichische Lotterien Holding Gesellschaft m.b.H., Austria, and indirectly in its wholly owned subsidiary Lotaria Kombëtare Sh.p.k., Albania, were acquired. The Albanian company runs the national lottery in Albania until 2023 due to a state concession. With this acquisition, the Group has expanded its activities in the area of lotteries.

The recognition of the individual company acquisitions pursuant to IFRS 3 in Germany, Italy, the United Kingdom (other acquisitions), Croatia and Albania/Austria was largely completed as of the reporting date, whereas provisional values are still being used for this in Spain. Accordingly, the values in the opening balances have not yet been finally determined, and the allocation of the total purchase price to the assets acquired and liabilities assumed has also not yet been completed. Changes are possible, in particular in the area of intangible assets. The inclusion of these acquired companies in the consolidated financial statement is therefore partially based on provisional fair values.

In the following overview, the provisional fair values for these further business combinations (i.e. excluding the separately recognized Talarius Group) are presented in summary:

EUR m	Fair values
Intangible assets	76.9
Property, plant and equipment	23.7
Other non-current assets	2.7
Deferred tax assets	2.2
Inventories	3.7
Cash and cash equivalents	15.9
Other current assets	13.8
Non-current liabilities and provisions	-29.9
Deferred tax liabilities	-21.3
Current liabilities and provisions	-24.6
Net assets	63.0
Non-controlling interests	-10.4
Goodwill	62.4
Received surpluses recognized in profit and loss	-1.4
Consideration	113.6

The consideration for the listed acquisitions amounted to EUR 113.6 million, with EUR 93.1 million paid in cash, EUR 7.6 million resulting from contingent considerations and EUR 13.0 million resulting from offsetting with receivables. The contingent purchase price has been calculated depending on the development of the underlying performance indicators of 2016.

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

Provisional goodwill resulting from the acquisitions reflects the strategic advantages that are expected for the Group from the expansion of operating activities in the respective market, as well as the expected synergies. Based on a preliminary assessment, goodwill will not be tax-deductible.

Other current assets consist mainly of trade receivables with a fair value of EUR 6.9 million or EUR 7.3 million gross.

Revenue amounts to EUR 52.0 million since the acquisition dates, and the results for the period amount to EUR -1.4 million.

Further Comments on the Acquisitions

Assuming that the acquisition dates for business combinations – Talarius Group and the other company acquisitions – were at the start of the reporting periods, revenues in the present consolidated financial statement would come to EUR 2,153.6 million and the annual profit to EUR 222.4 million.

(6) Company Acquisitions in 2015

The individual company acquisitions are detailed in NOVOMATIC AG's consolidated financial statement as of December 31, 2015.

Playnation Group

As of the time of preparation of the 2015 consolidated financial statement, the Playnation Group was included based on provisional fair values, as the values in the opening balance, as well as the valuation of intangible assets, had not yet been conclusively determined.

The final values for this business combination are now available and have been taken into account retroactively:

EUR m	Provisional fair values	Final fair values
Intangible assets	24.9	25.1
Property, plant and equipment	34.1	29.4
Other non-current assets	4.9	4.9
Deferred tax assets	0.5	0.5
Inventories	3.3	3.3
Cash and cash equivalents	8.1	8.1
Other current assets	6.5	6.5
Non-current liabilities and provisions	-25.4	-25.4
Deferred tax liabilities	-6.6	-6.0
Current liabilities and provisions	-17.8	-17.6
Net assets	32.6	28.8
Goodwill	0.0	3.8
Consideration	32.6	32.6

Goodwill resulting from the acquisition reflects expected strategic advantages for the Group due to the expansion of operational business activities and further potential growth through synergies. None of the goodwill resulting from this acquisition is tax-deductible.

The other disclosures from 2015 remained unchanged.

Other Acquisitions

At the time of preparation of the 2015 consolidated financial statement, the accounting for the company acquisition in Spain had not yet been completed, in particular with regards to intangible assets, meaning provisional fair values had been used. The final values for this business combination are now available and have been taken into account retroactively.

The following overview provides a summary for the company acquisitions in Germany, Italy, Canada, the USA, Croatia, Serbia, the UK (other acquisitions) and Spain:

EUR m	Provisional fair values	Final fair values
Intangible assets	71.2	65.1
Property, plant and equipment	15.8	15.8
Other non-current assets	1.2	1.2
Deferred tax assets	0.7	0.7
Inventories	0.0	0.0
Cash and cash equivalents	12.2	12.2
Other current assets	5.0	5.0
Non-current liabilities and provisions	-20.8	-20.8
Deferred tax liabilities	-18.1	-16.3
Current liabilities and provisions	-9.6	-9.6
Net assets	57.5	53.3
Non-controlling interests	-12.1	-10.6
Goodwill	27.4	30.2
Consideration	72.9	72.9

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

The other disclosures from 2015 remained unchanged.

(7) Notes to the Consolidated Balance Sheet**(7.1) Intangible Assets** EUR m

Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
As of 1/1/2015	140.5	32.0	255.8	61.8	126.9	68.0	685.0
Currency translation adjustments	1.4	1.0	2.0	3.5	1.1	0.1	9.1
Acquisitions through business combinations	34.1 ¹⁾	2.1	56.2 ¹⁾	26.6 ¹⁾	4.8	1.0	124.8
Additions	0.0	0.0	1.7	0.0	6.5	8.8	17.1
Disposals	-1.9	-3.6	-3.4	0.0	-5.9	-5.6	-20.4
Reclassifications	0.0	-0.3	0.7	0.0	0.4	-0.7	0.1
As of 12/31/2015	174.0	31.3	313.0	91.9	133.8	71.6	815.6

Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
As of 1/1/2016	174.0	31.3	313.0	91.9	133.8	71.6	815.6
Currency translation adjustments	-4.7	-2.8	-9.9	-1.6	-0.5	-0.3	-19.7
Acquisitions through business combinations	82.5	12.0	143.7	18.7	6.2	1.2	264.2
Additions	0.0	0.0	21.2	0.0	14.3	8.4	44.0
Disposals	-0.4	0.4	-5.8	0.0	-1.8	0.6	-7.0
Reclassifications	0.0	0.0	-0.1	0.0	0.9	-1.0	-0.2
As of 12/31/2016	251.4	40.9	462.1	109.0	153.0	80.5	1,096.9

Cumulative depreciation and amortization	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
As of 1/1/2015	34.5	9.8	93.7	8.6	68.5	31.3	246.3
Currency translation adjustments	0.0	0.1	0.0	0.3	0.1	0.0	0.5
Acquisitions through business combinations	0.0	0.0	0.1	0.0	0.1	0.0	0.2
Additions	0.0	0.9	18.8	16.6 ¹⁾	21.6	6.4	64.3
Impairment	8.0	2.2	3.5	0.1	0.2	1.6	15.7
Disposals	-0.3	0.0	-3.3	0.0	-4.4	-0.8	-8.9
Reclassifications	0.0	-0.2	0.7	0.0	0.2	-0.7	0.1
Impairment reversals	0.0	0.0	-0.7	-0.1	0.0	0.0	-0.8
As of 12/31/2015	42.2	12.9	112.7	25.5	86.4	37.8	317.4

Cumulative depreciation and amortization	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Software	Other intangible assets	Total
As of 1/1/2016	42.2	12.9	112.7	25.5	86.4	37.8	317.4
Currency translation adjustments	0.5	-0.1	0.4	2.1	-0.2	-0.2	2.5
Acquisitions through business combinations	0.0	0.0	0.0	0.0	1.9	0.0	2.0
Additions	0.0	1.5	24.6	9.6	22.5	6.0	64.1
Impairment	0.6	1.2	10.3	0.0	0.9	2.0	14.9
Disposals	-0.2	0.4	-5.8	0.0	-1.6	1.1	-6.1
Reclassifications	0.0	0.0	-0.1	0.0	0.2	-0.1	0.0
Impairment reversals	0.0	0.0	-0.7	0.0	0.0	0.0	-0.7
As of 12/31/2016	43.1	15.9	141.3	37.1	110.2	46.5	394.1

Book values as of 12/31/2015	131.8	18.4	200.3	66.4	47.4	33.8	498.2
Book values as of 12/31/2016	208.4	25.0	320.8	71.9	42.8	34.0	702.8

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 or IFRS 3 "Business combinations"

Goodwill

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

EUR m	12/31/2016	12/31/2015
Gaming Operations – Germany	25.7	12.4
Gaming Operations – United Kingdom	43.1	27.8
Gaming Operations – Italy	18.4	7.6
Gaming Operations – Netherlands	4.8	4.8
Gaming Operations – Online	10.3	10.3
Gaming Operations – Spain	13.5	2.7 ¹⁾
Gaming Technology – Spain Casinos	5.2	0.0
Gaming Technology – Italy	26.6	19.4
Gaming Technology – Online	10.3	10.1
Gaming Technology – Spain	7.7	4.5
Gaming Technology – United Kingdom	14.0	5.3 ¹⁾
Mobile Virtual Network	4.4	4.4
Other	24.3	22.5 ¹⁾
Total	208.4	131.8

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

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

Intangible Assets with Indefinite Useful Lives

Intangible assets comprise licenses with an indefinite useful life amounting to EUR 144.3 million (previous year: EUR 61.5 million) and trademarks with an indefinite useful life amounting to EUR 1.5 million (previous year: EUR 10.9 million). The licenses and trademarks are allocated to the following groups of cash-generating units. Single values below EUR 4.0 million are summarized under "Other."

Licenses EUR m	12/31/2016	12/31/2015
Gaming Operations – Latvia	18.6	18.6
Gaming Operations – United Kingdom	124.1	40.1
Other	1.5	2.9
Total	144.3	61.5

Trademarks EUR m	12/31/2016	12/31/2015
Gaming Operations – United Kingdom	0.0	9.8
Other	1.5	1.1
Total	1.5	10.9

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

However, in the case of Gaming Operations - UK, a rebranding process was started, meaning it may now be assumed that trademarks have a foreseeable useful life. As result, the amortization methods and periods of these trademarks were adjusted and will be spread over the planned transformation period.

Impairments and Reversals of Impairments

Details concerning impairment tests for intangible assets may be found under note (7.3).

Research and Development Expenses

Internally generated intangible assets are only capitalized if the criteria stipulated by IAS 38.57 are fulfilled. In the financial year, non-capitalizable development costs have been charged against income in the amount of EUR 95.0 million (previous year: EUR 84.7 million) as personnel costs, other expenses, as well as depreciation and amortization on property, plant and equipment, and intangible assets.

(7.2) Property, Plant and Equipment EUR m

Acquisition costs	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2015	629.9	809.2	328.1	16.5	1,783.7
Currency translation adjustments	1.1	2.4	1.9	0.0	5.4
Acquisitions through business combinations	9.7	37.3 ¹⁾	27.2	0.0	74.2
Additions	39.6	176.6	53.4	21.7	291.2
Disposals	-38.0	-127.6	-32.7	-7.7	-206.0
Reclassifications	2.9	3.5	-0.4	-6.5	-0.5
As of 12/31/2015	645.2	901.4	377.6	24.0	1,948.1
Acquisition costs	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2016	645.2	901.4	377.6	24.0	1,948.1
Currency translation adjustments	-2.9	-13.7	-5.8	0.1	-22.4
Acquisitions through business combinations	52.8	55.1	42.6	0.2	150.7
Additions	52.7	216.6	75.1	45.9	390.3
Disposals	-42.0	-93.2	-37.9	-29.5	-202.6
Reclassifications	4.7	3.9	2.7	-11.1	0.2
As of 12/31/2016	710.5	1,070.0	454.2	29.6	2,264.3

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

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

Cumulative depreciation and amortization	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2016	288.9	552.1	243.3	6.9	1,091.2
Currency translation adjustments	-1.9	-7.1	-4.1	0.0	-13.1
Acquisitions through business combinations	35.8	39.4	29.9	0.0	105.0
Additions	36.5	146.6	50.6	1.2	234.9
Impairment	12.4	1.4	4.6	0.0	18.4
Disposals	-21.6	-73.5	-24.3	0.0	-119.4
Reclassifications	0.1	1.1	0.1	-1.2	0.0
Impairment reversals	-4.9	-0.5	-2.1	-0.4	-7.9
As of 12/31/2016	345.3	659.5	297.9	6.5	1,309.2

Book values as of 12/31/2015	356.3	349.3	134.3	17.1	856.9
Book values as of 12/31/2016	365.2	410.5	156.3	23.1	955.1

Plant and machinery contains slot machines with a book value of EUR 396.1 million (previous year: EUR 337.4 million) for the Group's own operations and rental.

In order to collateralize loans, liens were registered on property, plant and equipment (particularly property) of EUR 1.7 million (previous year: EUR 5.9 million).

Impairments and Reversals of Impairments

Details concerning impairment tests for property, plant and equipment may be found under note (7.3).

(7.3) Impairments and Reversals of Impairments

7.3.1 Calculation Model and Principles

The recoverable amount is the higher value of the fair value less costs to sell and the value-in-use. Where capitalized earnings methods are applied, cash flow projections for a three-year period based on financial plans approved by the management are used. The cash flow projections are based on the detailed budget for the following financial year as well as forecasts for the subsequent two years derived therefrom. The main assumptions are based on the previous financial year, experiences of comparable businesses and the overall economic development. During the planning period, these base values are increased by development improvements estimated by the management in light of comparable projects, market potentials and risks. In substantiated cases, the cash flow projections are extended to a period of up to five years.

Cash flows occurring after this detailed planning period of between three and five years are perpetuated with a growth rate of 0.00 percent to 1.90 percent and finally calculated with a perpetual annuity. The discount rates used for the cash flow forecasts are post-tax interest rates when calculating the fair value less costs to sell and pre-tax interest rates when calculating the value-in-use, taking respective country-specific risks into consideration.

Groups of cash-generating units	Recoverable amount	Discount rate	Pre-tax/post-tax interest rate
Gaming Technology – Italy	Fair value*	9.19 %	Post-tax interest rate
Gaming Technology – Online	Value-in-use	14.87 %	Pre-tax interest rate
Gaming Technology – Spain	Fair value*	8.61 %	Post-tax interest rate
Gaming Technology – United Kingdom	Fair value*	7.04 %	Post-tax interest rate
Gaming Operations – Germany	Fair value*	6.08 %	Post-tax interest rate
Gaming Operations – Italy	Fair value*	8.57 %	Post-tax interest rate
Gaming Operations – Netherlands	Value-in-use	10.33 %	Pre-tax interest rate
Gaming Operations – Online	Value-in-use	10.67 %	Pre-tax interest rate
Gaming Operations – Spain	Fair value*	8.61 %	Post-tax interest rate
Gaming Operations – Spain casino	Value-in-use	10.87 %	Pre-tax interest rate
Gaming Operations – United Kingdom	Value-in-use	8.65 %	Pre-tax interest rate
Mobile Virtual Network	Value-in-use	10.52 %	Pre-tax interest rate
Other	Fair value* and value-in-use	6.14 % bis 14.56 %	Post-tax interest rate and pre-tax interest rate

*) Fair value less costs to sell

7.3.2 Goodwill and Intangible Assets with Indefinite Useful Lives

The comparison of book values with the recoverable amounts for the (groups of) cash-generating units that was undertaken as part of the annual impairment test for goodwill and intangible assets with indefinite useful lives, which was carried out as of September 30, 2016, resulted in an impairment in the amount of EUR 1.7 million (previous year: EUR 10.1 million) due to business not having developed as expected. The impairments made relate entirely to the (group of) cash-generating units Gaming Operations – Lithuania Casino. These comprise two companies that jointly operate casino locations in Lithuania. VSGA UAB holds the license to operate casinos in Lithuania, which is underpinned by an indefinite useful life and is attributable to the greatest share of the impairment.

- The capital costs (WACC before tax) considered in the model are 9.65 percent.
- The growth rate considered in the model is 1.9 percent.
- The detailed planning period is five years

The underlying cash flow forecasts are based on the financial plans approved by company management (detailed budget for the following financial year and the derived forecasts for the subsequent four years).

Impairment in the Gaming Operations segment last year came to EUR 3.0 million. No impairment was made in the Gaming Technology segment (previous year: EUR 7.1 million). Goodwill resulting from acquisitions completed after September 30, 2016, was tested as of the balance sheet date on December 31, 2016. No required impairment was identified. The recognized recoverable amounts of the (groups of) cash-generating units, therefore, correspond to Level 3 of the valuation hierarchy.

For the (group of) cash-generating units Gaming Technology – Spain, the recoverable amount (fair value) exceeded the book value by EUR 14.0 million. If the discount rate were to increase to 10.68 percent, the exceeding amount would be consumed. For the (group of) cash-generating units Gaming Operations – Spain casino, the recoverable amount (value-in-use) exceeded the book value by EUR 3.2 million. If the discount rate were to increase to 15.57 percent, the exceeding amount would be consumed.

Gaming Operations – United Kingdom

In June 2014, NOVOMATIC acquired 100 percent of the shares in Luxury Leisure Ultd. and SAL Leisure Ltd. With these acquisitions, NOVOMATIC succeeded in entering the British market for electronic casinos (adult gaming centers or AGCs). As part of the purchase price allocation, goodwill of EUR 27.6 million and intangible assets (in particular licenses and concessions) of EUR 40.8 million were accounted for this transaction.

In June 2016, 100 percent of the shares in Talarius Ltd. (Talarius) and its associated subsidiaries were acquired. With the conclusion of this acquisition, NOVOMATIC became the largest gaming facility operator in the area of adult gaming centers in the United Kingdom. As part of the purchase price allocation, goodwill of EUR 20.1 million and intangible assets (in particular licenses and concessions) of EUR 85.4 million were accounted for this transaction.

In 2015 and 2016, additional acquisitions were made of smaller companies also attributable to the area of adult gaming centers, but these are of minor importance compared to the aforementioned transactions.

With these acquisitions, NOVOMATIC implements its dual market strategy in the United Kingdom, which was already successfully implemented in other large gaming markets in Europe (in particular in Germany and Italy). In the stated markets of Germany and Italy, the companies falling into the Gaming Operations segment already contribute significant amounts to Group profit. A similar development is expected for the United Kingdom. Due to local reorganization (in particular mergers, combination of administrative units, other use of synergies etc.) and other measures (above all Group-wide uniform rebranding, investments in modern gaming equipment), initial costs are incurred. However, this leads to increased customer loyalty, improved efficiency and contributes to a significant increase in results in the medium term.

From a regulatory perspective, the area of adult gaming centers (from the current standpoint) is classified as very stable. Due to the fact that the maximum stakes and winnings of gaming machines approved in the gaming facilities (category B3, C and D machines with maximum stakes of between 10 pence and GBP 2) are very low, these are not seen as a risk (e.g. in respect of gaming addiction) by politicians, stakeholders and the media. In contrast, category B2 machines that are used in so-called licensed betting offices (LBOs) with stakes of up to GBP 100 are increasingly the subject of open discussions. The most important criticisms here are, in addition to the risk of gaming addiction, above all youth protection and potentially favorable conditions for money laundering. NOVOMATIC is not currently represented in the area of LBOs.

Due to the increasingly intense debate on the risks of gaming machines in the B2 category, it is not only possible but, from today's perspective, highly likely that the regulatory framework conditions will be tightened. If there is such a change in the maximum amounts that can be paid in and out, or a general ban on B2 machines is introduced, the area of adult gaming centers could see a huge increase in its attractiveness, attract new customer groups and see a significant improvement in its earnings. NOVOMATIC has not considered such scenarios in the planning assumptions underlying the impairment test for assets.

The impairment of assets in the Gaming Operations – United Kingdom cash-generating unit was tested by means of an impairment test and classified as sufficient.

- The capital costs (WACC before tax) considered in the model are 8.65 percent.
- The growth rate considered in the model is 1.9 percent.
- The detailed planning period is three years.
- The detailed revenue planning shown in the impairment test is moderate.

The underlying cash flow forecasts are based on the financial plans approved by company management (detailed budget for the following financial year and the derived forecasts for the subsequent two years).

- It is anticipated that, after considering the full business year in 2017 (in 2016, Talarius was only considered with one-half of the year), there will be revenue growth in the subsequent planning years 2018 and 2019, which is to be considered conservative in view of the location optimization measures mentioned, as well as correspond to comparable development curves of other NOVOMATIC markets.
- Gaming machines: An increase in the number of machines or the mix of machines (e.g. higher value B3 machines instead of category C machines) was not assumed for the detailed planning period.

Sensitivity analyses were carried out to validate the calculated values-in-use. The change in growth rate from 1.9 percent to 1.68 percent, or an increase in capital costs (WACC before tax) of 8.65 percent to 8.81 percent, with all other things remaining equal, would use up the EUR 2.3 million of enterprise value currently exceeding the assets.

7.3.3 (Other) Intangible Assets and Property, Plant and Equipment

An event-driven impairment test for non-current assets concerned is carried out if indications (triggering events) exist. This resulted in impairments of EUR 31.6 million (previous year: EUR 25.7 million) or impairment reversals of EUR 8.6 million (previous year: EUR 11.0 million). The impairments made (with an individual value of over EUR 4.0 million) relate to the (group of) cash-generating units Gaming Technology – Austria with EUR 6.5 million (previous year: EUR 8.8 million), Gaming Technology – Lottery with EUR 0.0 million (previous year: EUR 10.0 million), Gaming Operations – Austria with EUR 6.5 million (previous year: EUR 4.3 million), Gaming Operations – Germany with EUR 5.3 million (previous year: EUR 3.6 million), Gaming Operations – Spain with EUR 6.4 million (previous year: EUR 0.0 million) and Gaming Operations – Italy with EUR 1.6 million (previous year: EUR 5.7 million). Impairment reversals (with an individual value of EUR 4.0 million) relate to the (group of) cash-generating units Gaming Operations – Italy with EUR 6.6 million (previous year: EUR 4.8 million).

The following takes a closer look at the important three core markets in which the existence of impairment or impairment reversals was examined in more detail.

Gaming Operations/Technology – Germany

The First State Treaty amending the State Treaty regarding Gaming in Germany (Glücksspieländerungsstaatsvertrag, GlüÄndStV) came into effect on July 1, 2012. A further amendment concerning the area of sports betting is currently being reviewed by the European Commission. The First State Treaty amending the State Treaty regarding Gaming in Germany essentially involves creating distance regulations between gaming arcades and youth facilities. It also includes a ban on multiple concessions, thereby limiting a site to a maximum of 12 gaming machines. A (fundamental) transitional period of 5 years was granted to implement the restrictive new regulations, which means the provisions are applicable from July 1, 2017.

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

In November 2014, a stricter amendment to the Gaming Ordinance was passed. This amendment includes further regulation aimed at improving the protection of players and minors, as well as preventing tax evasion and money laundering. A transitional period of four years was granted for the implementation of the Gaming Ordinance. This means that gaming machines currently installed in gaming arcades will lose their existing protection after four years and, from November 11, 2018, only devices as per the new Gaming Ordinance may be operated.

The focus of the German Group companies in the Gaming Technology segment, Löwen Entertainment GmbH and Crown Technologies GmbH, is in the area of gaming machine rental. In light of the stricter regulatory framework, however, the number of rented gaming machines decreased during the reporting period, which also led to a slight decline in revenues. The two German subsidiaries have already been working for a while to develop attractive products that can be made available to the customers promptly upon expiration of the transitional period of the Gaming Ordinance.

In the Gaming Operations segment, the German companies Extra Games Entertainment GmbH, BPA Freizeit und Unterhaltungsbetriebe GmbH, Admiral Play GmbH and other smaller, recently acquired companies are represented as operating companies in the area of commercial machine gaming.

NOVOMATIC expects a declining market in the Gaming Arcades segment from July 1, 2017, although higher device utilization should have a certain compensatory effect. If gaming arcades need to reduce in size or close, this will, however, have a negative impact on revenues (from the rental or operation of gaming machines).

As in previous years, impairment tests were carried out in 2016 for the assets of the German operating companies. The scope of the impairment tests included all slot arcades run by the operating companies active in the area of commercial machine gaming. The main focus was on scenarios regarding site shutdowns and the withdrawal of concessions. The investigation of the impact on the gaming facilities was carried out under the assumption of more restrictive legal interpretations.

In total, the required impairment loss amounted to EUR 5.3 million (previous year: EUR 3.6 million). The largest share of this relates to the impairment of the rights of use of the gaming arcades (disclosed under "Licenses" within the intangible assets), as well as an impairment of property, plant and equipment (in particular land and buildings, as well as fixtures, furnishings and office equipment). The reevaluation led to the conclusion that a reversal of impairment was required for certain gaming facilities, as the assessment regarding the impact on the individual locations in question had changed. In total, the identified reversal of the impairment amounted to EUR 1.1 million (previous year: EUR 2.8 million).

An impairment test was also carried out on the assets (in particular the goodwill) of the Gaming Operations – Germany cash-generating unit, resulting in a clear surplus.

- The capital costs considered in the model (WACC after tax) are 6.08 percent.
- The growth rate considered in the model is 1.9 percent.
- The detailed planning period is three years

The underlying cash flow forecasts are based on the financial plans approved by company management (detailed budget for the following financial year and the derived forecasts for the subsequent two years). The recognized recoverable amounts of the (groups of) cash-generating units, therefore, correspond to Level 3 of the valuation hierarchy.

An impairment test was also carried out on the assets (in particular the goodwill) of the Gaming Technology – Germany cash-generating unit, resulting in a clear surplus.

Impairments (less impairment reversals) of a cumulative EUR 56.1 million (previous year: EUR 51.9 million) were made over the past few years on non-current assets. The book value of the intangible assets and property, plant and equipment amounts to EUR 99.9 million (previous year: EUR 86.7 million) as of the balance sheet date.

Gaming Operations/Technology – Italy

With more than 400,000 operated gaming machines, Italy is Europe's largest gaming market. The companies active in the Gaming Operations segment operate AWP and VLT devices in the gaming arcades. Moreover, this segment includes one of the Italian concessionaires with Admiral Gaming Network S.r.l..

In the previous year, impairment tests were carried out for the Italian Group companies allocated to the Gaming Operations segment. These led to required impairment losses. In the financial year 2016, a renewed evaluation of the Italian gaming facilities was carried out based on current performance and future forecasts. This resulted in required impairment losses of EUR 1.6 million (previous year: EUR 5.8 million, thereof EUR 0.9 million goodwill), which was almost entirely recorded under property, plant and equipment. The reevaluation concluded that for certain gaming facilities a reversal of impairment was required as the assessment regarding the impact on the individual location had changed. The according reversal of impairment amounted to EUR 6.6 million (EUR 4.8 million).

In the Gaming Technology – Italy segment, the focus is on the rental and sale of gaming devices as well as in the production (installation) of gaming devices and central processing units (CPUs).

An impairment test was carried out on the assets (in particular the goodwill) of the Gaming Technology – Italy cash-generating unit, resulting in a clear surplus.

- The capital costs considered in the model (WACC after tax) are 9.19 percent.
- The growth rate considered in the model is 1.9 percent.
- The detailed planning period is three to five years.

The underlying cash flow forecasts are based on the financial plans approved by company management (detailed budget for the following financial year and the derived forecasts for the subsequent two to four years). The recognized recoverable amounts of the (groups of) cash-generating units therefore correspond to Level 3 of the valuation hierarchy.

Gaming Operations – Austria

ADMIRAL Casinos & Entertainment AG (ACE), a NOVOMATIC Group company, was able to obtain permits pursuant to Sec. 5 of the Austrian Gaming Act (GSpG) for state-licensed gaming with gaming machines in Lower Austria and Burgenland (in addition to other provinces) in 2012 and 2013. The permit for the province of Lower Austria covers 1,339 gaming machines and has been granted for a period of 15 years. The permit for the province of Burgenland covers 110 gaming machines and has been granted for a period of 10 years.

Competitors submitted timely appeals against these decisions to the Constitutional Court. The Constitutional Court passed these complaints on to the Administrative Court (VwGH), which reversed the decisions of the Lower Austrian and Burgenland provincial governments with its rulings in May and June 2016. The decisions were justified with formal deficiencies of both provincial governments.

In December 2016, ACE was again granted licenses for the operation of 1,339 gaming machines in Lower Austria following a subsequent proceeding. This decision was then contested through complaints by competitors. A decision by the now-competent Lower Austrian Provincial Administrative Court is expected in the second quarter of 2017, with the following developments essentially possible:

1. The decision is revoked by the Provincial Administrative Court and sent back to the Lower Austrian provincial government to be revised. A consequence of this decision would presumably be an appeal to the Administrative Court by NOVOMATIC.
2. The decision is confirmed by the Provincial Administrative Court and therefore the decision would have legal power. A consequence of this decision may be an appeal to the Administrative Court by one or more of the plaintiffs – but now only through extraordinary legal channels.
3. The Provincial Administrative Court decides itself in the case. This means that the decision would also have legal power. A consequence of this decision may be that, depending on the decision, either NOVOMATIC or one or more of the plaintiffs – but then only through extraordinary legal channels – would appeal to the Administrative Court.

Continued operations in Lower Austria are guaranteed until November 2017, due to the statutory duty to continue operations and a declaratory notice. One of the three abovementioned scenarios should have occurred by then.

In any case, it may be assumed that – in connection with the new ruling on the decision in Lower Austria – this will lead to several years of proceedings at the Administrative Court.

NOVOMATIC assumes that the competent Lower Austrian Provincial Administrative Court will reject the complaints, because the deficiencies previously listed by the Administrative Court have been resolved – from NOVOMATIC's perspective – in the newly issued approval decision (December 2016). This is, however, an assumption based on a current assessment of the situation.

The continued operation of the 110 approved gaming machines in Burgenland is guaranteed until June 2017, and a decision concerning the ongoing selection procedure is still pending. A change in Burgenland's law on events is currently being considered. At the moment, it is assumed that the approval decision will be granted again to NOVOMATIC by the competent authority. In this case, subsequent developments in Burgenland would be assessed in a way similar to those in Lower Austria. If the Burgenland provincial government does not grant an approval decision to NOVOMATIC, an impairment of the fixed assets at the locations currently operating in the province would be recorded in the low single-digit million euro range, in the worst case.

(7.4) Investment Property

EUR m	12/31/2016	12/31/2015
Balance as of 01/01	18.7	18.8
Currency translation adjustments	0.1	0.1
Additions	3.2	0.0
Impairment	0.0	-1.9
Disposals	-0.3	0.0
Reclassifications	0.0	0.5
Reclassification as held for sale	0.0	1.7
Depreciation	-0.6	-0.6
Balance as of 12/31	21.1	18.7

Investment property denotes land and buildings held but not used in business operations. The gross book values total EUR 35.8 million (previous year: EUR 32.7 million) and the accumulated depreciation amounts to EUR 14.8 million (previous year: EUR 14.0 million). For the determination of the fair value, external valuation reports from independent regional experts were obtained in the financial year 2015. Given that the underlying assumptions have not materially changed, the reports were not updated. The fair value (fair value hierarchy – level 3) amounts to a total of EUR 24.1 million (previous year: EUR 21.7 million).

Both income and expenditures from investment property were insignificant.

(7.5) Investments in Associated Companies

EUR m	12/31/2016	12/31/2015
Balance as of 01/01	0.2	0.2
Balance as of 12/31	0.2	0.2

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

EUR m	12/31/2016	12/31/2015
Assets	11.4	11.5
Liabilities	10.1	10.2
Revenues	0.8	0.7
Results	0.0	-0.1

(7.6) Financial Assets

EUR m	12/31/2016	12/31/2015
Investments in affiliated companies, non-consolidated	18.2	6.9
Securities	10.0	7.8
Other investments	209.6	189.4
Total	237.8	204.1

Through the acquisition of LTB Beteiligungs GmbH, RSV Beteiligungs GmbH and BAIH Beteiligungsverwaltungs GmbH in 2015, the NOVOMATIC Group acquired an indirect interest of 23.11 percent of Österreichische Lotterien Gesellschaft mbH (ÖLG), a company that is majority owned by Casinos Austria Aktiengesellschaft (CASAG).

In 2015, NOVOMATIC concluded further purchase agreements for the acquisition of direct and indirect interests in CASAG, which needed to be approved by the Austrian Federal Competition Authority (BWB). In February 2016, the BWB submitted an audit request to the Austrian antitrust court, which, in its ruling, refused to allow NOVOMATIC AG to acquire an interest that amounts to a shareholding of over 25 percent. This decision was, after NOVOMATIC AG appealed, ultimately upheld by the Supreme Court (OGH) in January 2017. As a consequence of this decision, it was not possible to complete individual purchase agreements to further acquire direct and indirect shares in CASAG. In addition, NOVOMATIC had to reduce its indirect interest in ÖLG to less than 25 percent and, in December 2016, sold shares amounting to 11.56 percent to a Czech group of companies to enable the closing for the purchase of 17.19 percent directly in CASAG.

These two financial investments of 11.56 percent in ÖLG indirectly and 17.19 percent in CASAG directly, are recognized under other investments with a fair value of a total of EUR 196.6 million, as no significant influence may be exerted over the two companies. Details concerning the calculating of the fair values can be found in the notes to the financial instruments.

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

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

(7.7) Taxes

Current taxes:

EUR m	12/31/2016	12/31/2015
Current tax receivables	34.0	30.5
Non-current tax liabilities	11.0	18.3
Current tax liabilities	33.9	27.8

Deferred taxes:

EUR m	12/31/2016	12/31/2015
Deferred tax assets	93.2	94.3
Deferred tax liabilities	-90.4	-66.0 ¹⁾
Total	2.8	28.3

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 or IFRS 3 "Business combinations"

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

EUR m	12/31/2016	12/31/2015
Intangible assets	-69.7	-46.4 ¹⁾
Property, plant and equipment	34.5	30.6 ¹⁾
Financial assets	2.5	6.9
Other non-current assets	-2.6	-1.3
Inventories	8.6	6.5
Current financial assets	0.9	1.4
Trade and other receivables	-2.8	-0.1
Non-current financial liabilities	1.5	1.3
Other non-current liabilities	0.1	0.2
Non-current provisions	8.3	7.0
Current financial liabilities	0.6	0.4
Current provisions	0.5	0.2
Trade payables and other liabilities	7.4	5.5
Tax loss carryforward	13.1	16.2
Total	2.8	28.3

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 or IFRS 3 "Business combinations"

Income tax charged directly to equity:

EUR m	2016	2015
Revaluation of available-for-sale financial instruments	-2.0	2.6
Revaluation of the net defined benefit liability	3.6	2.7

EUR -12.2 million (previous year: EUR 14.4 million) of deferred taxes are classified as non-current and EUR 15.1 million (previous year: EUR 13.9 million) as current.

In accordance with IAS 12, deferred tax assets on the existing loss carried forward adding up to EUR 13.1 million (previous year: EUR 16.2 million) were capitalized because they can be offset against taxable income in the future. Tax assets are netted with tax liabilities if they concern the same tax authority, and if the right and intention to offset exist.

In 2016, subsidiaries that incurred losses in the previous year or the years before carried forward tax losses in of EUR 237.2 million (previous year: EUR 201.3 million) that can no longer be utilized. Of the carried forward tax losses that are still utilizable – the value of which is EUR 57.7 million (previous year: EUR 47.9 million) – EUR 0.4 million will expire in 2017 (previous year: EUR 2.1 million in 2016) and EUR 57.4 million will expire in 2017 onwards (previous year: EUR 45.9 million in 2016 onwards).

No deferred tax liability was recognized on the temporary differences resulting from the proportionate IFRS equity values and the tax base of the subsidiaries amounting to EUR 1,001.4 million (previous year: EUR 990.7 million) as the Group is in the position of being able to control the timing of the reversal of the temporary differences and will probably not reverse the temporary differences in the foreseeable future.

(7.8) Other Non-Current Assets

EUR m	12/31/2016	12/31/2015
Loans	44.5	50.5
Receivables from finance lease	17.8	9.1
Purchase price receivables	8.0	7.9
Deposits with gaming authorities	21.1	21.9
Miscellaneous other non-current assets	25.5	21.9
Total	116.9	111.3

(7.9) Inventories

EUR m	12/31/2016	12/31/2015
Raw materials and supplies	93.1	76.5
Work in progress	24.0	22.9
Finished goods and trade goods	104.3	89.3
Prepayments	4.1	3.2
Total	225.5	191.9

The inventory total includes inventory write-downs amounting to EUR 67.5 million (previous year: EUR 65.3 million).

(7.10) Trade Receivables, Other Receivables and Assets

EUR m	12/31/2016	12/31/2015
Trade receivables	221.4	201.6
Receivables from non-consolidated affiliated companies	8.2	5.3
Prepaid expenses	39.7	36.9
Purchase price receivables	10.8	32.5
Precious metals	35.3	31.4
Other tax receivables, excluding income taxes	7.1	11.4
Other current receivables and assets	50.0	40.1
Total	372.5	359.2

The reported trade receivables include write-downs amounting to EUR 30.4 million (previous year: EUR 31.7 million). The impairment expenses for the reporting period are recognized as other operating expenses in the profit and loss account.

The age structure of the trade receivables is as follows:

EUR m	12/31/2016	12/31/2015
Receivables without valuation allowance		
not overdue	107.8	99.1
overdue up to 3 months	47.8	31.4
overdue between 3 and 6 months	9.4	6.5
overdue for more than 6 months	12.0	9.8
Receivables with valuation allowance	44.4	54.8
Total	221.4	201.6

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

The receivables from non-consolidated affiliated companies include trade receivables of EUR 7.5 million (previous year: EUR 2.8 million).

Precious metals with a book value of EUR 35.3 million (previous year: EUR 31.4 million) are valued at their market price (fair value hierarchy – level 2) in profit and loss. Changes in value due to the subsequent measurement of precious metals of EUR 3.9 million (previous year: EUR -0.4 million) are accounted for as other operating income or expenses.

Other current receivables and assets are comprised primarily of the offset with payment service providers, prepayments and deferred income.

(7.11) Current Financial Assets

EUR m	12/31/2016	12/31/2015
Securities	9.2	10.7
Loans	3.6	3.7
Receivables from finance lease	10.8	13.0
Derivatives	6.1	4.1
Other current financial assets	1.7	0.7
Total	31.3	32.3

(7.12) Cash and Cash Equivalents

EUR m	12/31/2016	12/31/2015
Cash	141.7	111.6
Bank balances	736.1	473.8
Total	877.8	585.4

The stated cash of EUR 141.7 million (previous year: EUR 111.6 million) is largely tied up as cash reserves and base filling of the gaming machines at the various gaming establishments.

Due to a legal dispute between Italian competitors and the Italian gaming authority, the competent court decided that all Italian concessionaires (i.e. including ADMIRAL Gaming Network S.r.l., a NOVOMATIC Group company), should not pay a part of their gaming taxes to the competent authority until the matter has been settled, but must rather deposit these amounts in a specifically designated bank account. For NOVOMATIC, this resulted in a temporary increase in tax liabilities as well as cash and cash equivalents (bank balances) by EUR 82.9 million. As a decision in the case was made during the reporting period, the charging with the Italian gaming authority was completed.

The bank balances included a partial amount of EUR 65.3 million which was deposited for the potential acquisition of direct and indirect shares in Casinos Austria Aktiengesellschaft. These funds were freely available again in February 2017.

(7.13) Assets Held for Sale

The property concerned in Hungary has now been sold.

(7.14) Share Capital

The share capital of EUR 26.6 million (previous year: EUR 26.0 million) is fully paid and divided into 26,590,000 registered no-par value shares. Each share corresponds to EUR 1.0 of the share capital.

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

(7.15) Capital Reserves

The capital reserves of EUR 85.4 million (previous year: EUR 1.0 million) are tied-up reserves.

(7.16) Retained Earnings

The retained earnings consist of the Group's consolidated profit for the year and the accumulated profits from previous periods. Retained earnings also comprise the revaluation of net debt from defined benefit obligations of EUR -10.0 million (previous year: EUR -7.9 million), with the change of EUR -2.1 million (previous year: EUR -0.6 million) being stated in other comprehensive income.

(7.17) Revaluation Reserve

The revaluation reserve comprises the revaluation of financial instruments available for sale of EUR 5.2 million (previous year: EUR -8.6 million), with the change of EUR 13.8 million (previous year: EUR 0.9 million) being stated in other comprehensive income.

(7.18) Currency Translation Adjustment

Upon consolidation, differences from the translation of foreign subsidiaries at the exchange rates prevailing on the balance sheet date are transferred to this position. For the financial year 2016, changes in the currency translation adjustment of EUR -28.0 million (previous year: EUR 7.0 million) are stated in other comprehensive income. Due to deconsolidation, EUR -1.9 million (previous year: EUR 11.1 million) has been reclassified from other comprehensive income into the profit and loss account.

(7.19) Non-Controlling Interests

Non-controlling interests consist of the interests in equity of consolidated subsidiaries held by other shareholders. The portion allocated to the non-controlling interests from the change of foreign currency translation adjustments of EUR 0.0 million (previous year: EUR -0.1 million) is stated in other comprehensive income.

Subsidiaries with non-controlling interests:

EUR m	12/31/2016			12/31/2015		
	Non-controlling interests (%)	Profit/loss attributable to non-controlling interests	Accumulated non-controlling interest	Non-controlling interests (%)	Profit/loss attributable to non-controlling interests	Accumulated non-controlling interest
Gaming Technology						
Crown Gaming S.A.C., Peru		-	-	35 %	-1.4	3.8
Electro System S.p.A., Italy	25 %	1.3	5.6			
GiGames S.L., Spain	20 %	0.1	7.2	20 %	-0.5	7.1
Gaming Operations						
Admiralu Klubs SIA, Latvia	40 %	3.0	19.3	40 %	2.7	17.1
Alfor SIA, Latvia	40 %	5.9	16.4	40 %	5.2	10.5
Automáticos Surmatic S.L., Spain	40 %	0.0	6.2	40 %	0.0	6.1 ¹⁾
Marginal non-controlling interest		-3.6	7.8		-1.6	3.7 ¹⁾
		6.8	62.4		4.5	48.4

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

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

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

EUR m	12/31/2016				
	Electro System S.p.A., Italy	GiGames S.L., Spain	Admiralu Klubs SIA, Latvia	Alfor SIA, Latvia	Automáticos Surmatic S.L., Spain
Balance sheet					
Non-current assets	18.9	17.5	42.1	30.9	17.6
Current assets	13.7	28.6	11.1	19.1	2.2
Non-current liabilities	5.9	6.5	3.3	1.6	3.7
Current liabilities	4.5	11.9	1.7	7.5	0.8
Profit and loss account					
Revenues	18.2	25.1	25.5	69.0	10.0
Annual profit	5.2	0.1	7.6	14.6	0.1
Dividends paid to non-controlling interest	0.0	0.0	0.8	0.0	0.0
Cash flow					
from operating activities	-5.0	2.2	10.1	20.7	2.2
from investing activities	-5.5	-1.0	-0.6	-8.4	-0.7
from financing activities	-0.1	1.4	-0.8	0.0	-0.1
Net change in cash and cash equivalents	-10.7	2.6	8.7	12.3	1.5

EUR m						12/31/2015
	Crown Gaming S.A.C., Peru	GiGames S.L., Spain	Admiralu Klubs SIA, Latvia	Alfor SIA, Latvia	Automáticos Surmatic S.L., Spain	
Balance Sheet						
Non-current assets	33.9	20.1	41.4	29.6	19.5 ¹	
Current assets	27.6	23.1	6.1	14.4	1.0	
Non-current liabilities	14.8	7.4	3.4	1.9	4.2 ¹	
Current liabilities	35.9	8.3	1.4	15.8	1.0	
Profit and loss account						
Revenues	13.0	20.4	23.0	64.0	0.7	
Annual profit	-4.0	-2.0	6.8	13.0	0.0	
Dividends paid to non-controlling interest	0.0	0.0	0.4	8.8	0.0	
Cash flow						
from operating activities	2.7	0.5	10.4	27.9	-0.3	
from investing activities	0.5	1.1	-2.2	-6.7	-9.7	
from financing activities	2.9	-1.6	-0.4	-8.8	0.0	
Net change in cash and cash equivalents	6.0	0.0	7.8	12.4	-10.0	

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

During the financial year 2016, the Group increased its share of ownership in some subsidiaries.

(7.20) Non-Current Financial Liabilities

EUR m	12/31/2016	12/31/2015
Bonds	937.8	592.0
Bank loans	443.1	443.4
Obligations under finance leases	6.0	5.0
Other non-current financial liabilities	8.2	3.3
Total	1,395.1	1,043.7

NOVOMATIC AG issued bonds with the following terms and conditions:

Nominal value	150 EUR m	250 EUR m	200 EUR m	500 EUR m
Term	2010–2017	2013–2019	2014–2021	2016–2023
Denomination	EUR 500.–	EUR 500.–	EUR 500.–	EUR 500.–
Nominal interest rate	5.00 % p.a.	4.00 % p.a.	3.00 % p.a.	1.625 % p.a.
Coupon	10/27 every year	01/28 every year	06/23 every year	09/20 every year
Redemption	10/27/2017 bullet	01/28/2019 bullet	06/23/2021 bullet	09/20/2023 bullet
Closing price 12/31/2016	EUR 103.876	EUR 106.8705	EUR 108.856	EUR 102.1805
ISIN	AT0000A0KSM6	AT0000A0XSN7	AT0000A182L5	AT0000A1LHT0

The bonds are listed on the second regulated market of the Vienna Stock Exchange. During the reporting period, NOVOMATIC AG issued a bond with an emission volume of EUR 500 million that is due on September 20, 2023.

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

The fair value of the bonds issued amounts to EUR 1,145.0 million (previous year: EUR 625.8 million), of which EUR 991.5 million were long-term and EUR 153.5 million were short-term.

The fair value of bank loans amounts to EUR 449.7 million (previous year: EUR 444.1 million). Bank loans with a term of 1 to 5 years amount to EUR 350.6 million (previous year: EUR 401.3 million) and those over five years to EUR 92.5 million (previous year: EUR 42.1 million).

The weighted average interest rate comes to 2.29 percent (previous year: 3.41 percent).

(7.21) Non-Current Provisions

EUR m	12/31/2016	12/31/2015
Provision for severance payments	26.2	20.7
Provision for pensions	19.9	18.4
Provision for jubilee payments	6.2	4.8
Other non-current provisions	13.8	8.2
Total	66.1	52.1

Provision for Severance Payments

Due to legal or collectively agreed obligations, employees in Austria and Italy are entitled to receive severance payments upon termination of employment or upon reaching normal retirement age. Such entitlements depend on their years of service and final compensation levels. For the future liabilities, provisions are generated according to actuarial principles. The provision for pensions was calculated in accordance with IAS 19 (projected unit credit method) using an interest rate of 1.31 percent to 1.58 percent (previous year: 2.0 percent) and assuming a pay increase from 1.0 percent to 2.5 percent (previous year: 1.0 percent to 2.5 percent) into account. The estimated retirement age refers to the earliest possible retirement age according to local legislation. Discounts due to fluctuations or other factors are not taken into account.

Expenses for severance payments recognized as personnel costs:

EUR m	12/31/2016	12/31/2015
Current service cost	4.2	3.1
Interest expense	0.4	0.3
Expense for the year	4.6	3.4

Provision for severance payments shown on the balance sheet:

EUR m	12/31/2016	12/31/2015
Balance as of 01/01	20.7	19.8
Amounts recognized in the profit and loss account		
Current service cost (+)	4.2	3.1
Interest cost (+)	0.4	0.3
Remeasurement of the period (other comprehensive income)		
Actuarial gains/losses from the change in demographic assumptions	0.7	0.2
Actuarial gains/losses from the change in financial assumptions	1.7	0.6
Payments (-)	-2.4	-3.4
Change in the scope of consolidation	0.8	0.0
Present value of obligations as of 12/31	26.2	20.7

Sensitivity analysis for severance payments:

EUR m	Change in the parameter	Change in the present value of the obligation 12/31/2016
Discount rate	0.5 %	-1.6
Discount rate	-0.5 %	1.3
Salary increase	0.5 %	1.3
Salary increase	-0.5 %	-1.6

As of December 31, 2016, the average maturity of severance obligations is 10 to 15 years (previous year: 10 to 16 years), depending on the country. Payments of EUR 3.1 million (previous year: EUR 2.4 million) are expected for the next financial year.

Provision for Pensions

Due to individual agreements, some Group companies are obligated to accord a pension allowance to Executive Board members and employees beginning with the date of their retirement. The amounts of such entitlements depend on years of service and final compensation levels. The provision for pensions was calculated in accordance with IAS 19 (projected unit credit method) using an interest rate of 1.58 percent to 1.60 percent (previous year: 2.0 percent to 2.4 percent) and taking adjustments of values from 2.0 percent to 3.0 percent (previous year: 2.0 percent to 3.0 percent) into account.

Expenses for pensions recognized as personnel cost:

EUR m	12/31/2016	12/31/2015
Current service cost	0.1	0.1
Interest cost	0.4	0.4
Expense for the year	0.5	0.5

Provision for pensions shown on the balance sheet:

EUR m	12/31/2016	12/31/2015
Balance as of 01/01	18.4	18.5
Amounts recognized in the profit and loss account		
Current service cost (+)	0.1	0.1
Interest cost (+)	0.4	0.4
Remeasurement of the period (other comprehensive income)		
Actuarial gains/losses from the change in financial assumptions	1.4	0.1
Payments (-)	-0.5	-0.5
Change in the scope of consolidation	0.0	-0.1
Present value of obligations as of 12/31	19.9	18.4

Sensitivity analysis for pensions:

EUR m	Change of the parameter	Change in the present value of obligation 12/31/2016
Discount rate	0.5 %	-2.4
Discount rate	-0.5 %	2.9
Pension increase	0.5 %	1.7
Pension increase	-0.5 %	-1.5

As of December 31, 2016, the average maturity of pension obligations is between 3 and 15 years (previous year: between 4 and 15 years), depending on the country. Payments of EUR 0.5 million (previous year: EUR 0.5 million) are expected for the next financial year.

Provision for Jubilee Payments

After a long period of service with the company, employees are entitled to jubilee payments arising from collective agreements. The amount of these obligations was calculated under the assumptions of a discount rate of 1.58 percent to 1.7 percent (previous year: 2.0 percent to 2.9 percent) and a pay increase of 1.75 percent to 2.5 percent (previous year: 2.0 percent to 4.0 percent). A fluctuation discount based on an internal statistic concerning withdrawals of the previous 3 years and considering probable individual continuance in the company until the jubilee payment is due was taken into account.

Expenses for jubilee payments recognized as personnel cost:

EUR m	12/31/2016	12/31/2015
Current service cost	1.0	1.0
Interest cost	0.1	0.3
Past service cost	1.2	-0.4
Net actuarial gains/losses	-0.1	-0.2
Expense for the year	2.3	0.7

Provision for jubilee payments shown on the balance sheet:

EUR m	12/31/2016	12/31/2015
Balance as of 01/01	4.8	4.8
Amounts recognized in the profit and loss account		
Current service cost (+)	1.0	1.0
Interest cost (+)	0.1	0.3
Past service cost	1.2	-0.4
Net actuarial gains/losses	-0.1	-0.2
Payments (-)	-0.8	-0.7
Change in the consolidation scope	0.0	-0.1
Present value of obligations as of 12/31	6.2	4.8

Other Non-Current Provisions

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

EUR m	12/31/2016	12/31/2015
Balance as of 01/01	8.2	10.2
Currency translation adjustments	-0.5	0.2
Changes in the scope of consolidation	4.2	0.3
Utilization	-1.5	-1.5
Release	-0.5	-1.9
Allocation	4.1	0.9
Compounding	-0.1	-0.1
Balance of provisions as of 12/31	13.8	8.2

(7.22) Other Non-Current Liabilities

EUR m	12/31/2016	12/31/2015
Deferred income	0.5	0.6
Other non-current liabilities	3.8	4.7
Purchase price obligations	15.3	19.5
Total	19.6	24.8

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

(7.23) Current Financial Liabilities

EUR m	12/31/2016	12/31/2015
Bond	147.7	0.0
Current bank liabilities	58.9	33.6
Obligations under finance leases (current portion)	2.4	1.8
Current financial liabilities	0.9	0.8
Derivatives	0.9	0.7
Total	210.8	36.9

(7.24) Current Provisions

EUR m	Other provisions for personnel	Warranties	Obligations for legal issues	Other current provisions	Total
As of 12/31/2015	15.0	3.2	4.0	25.9	48.1
Currency translation adjustments	-0.6	-0.1	0.0	-1.1	-1.8
Changes in the scope of consolidation	0.8	0.0	0.5	0.6	1.8
Utilization	-9.2	0.0	-1.1	-21.0	-31.3
Release	-0.3	0.0	-0.9	-2.4	-3.7
Allocation	20.6	0.5	3.7	30.8	55.6
Reclassifications	0.0	0.0	0.0	0.0	0.0
As of 12/31/2016	26.1	3.6	6.2	32.7	68.7

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

(7.25) Trade Payables and Other Liabilities

EUR m	12/31/2016	12/31/2015
Trade payables	113.5	100.3
Payables to non-consolidated affiliated companies	3.4	1.7
Advance payments received	3.6	3.5
Deferred income	35.3	37.2
Liabilities to employees	44.3	42.0
Other liabilities from social security obligations	11.6	9.6
Other tax liabilities, excluding income taxes	104.9	176.9
Purchase price obligations	20.9	22.0
Other current liabilities	63.5	57.1
Total	401.0	450.4

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

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

The increase in tax liabilities in the previous year was related to the increase in bank balances. Further details are provided in note (7.12).

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

(8) Notes to the Profit and Loss Account

The profit and loss account was prepared applying the total cost method.

(8.1) Revenues

EUR m	2016	2015
Sales revenues	249.9	217.6
Income from slot machines	1,028.9	902.2
Income from rent and management services	607.0	594.7
Betting income	117.8	81.9
eBusiness income	159.8	167.9
Income from food and beverage	32.4	28.7
Other sales	113.6	104.3
Sales reductions	-15.3	-11.1
Total	2,294.1	2,086.3

(8.2) Gaming Taxes and Betting Fees

EUR m	2016	2015
Gaming taxes	-224.7	-181.0
Betting fees	-13.6	-10.3
Total	-238.3	-191.4

(8.3) Changes in Inventories of Finished Goods and Work in Progress as well as Own Work Capitalized

EUR m	2016	2015
Changes in inventories of finished goods and work in progress	21.0	8.2
Own work capitalized	194.6	147.6
Total	215.6	155.8

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

(8.4) Other Operating Income

EUR m	2016	2015
Income from the disposal of intangible assets and property, plant and equipment	16.5	19.2
Foreign exchange gains	7.4	13.5
Deconsolidation	30.4	49.0
Other operating income	54.7	43.0
Total	109.0	124.6

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

(8.5) Cost of Material and Other Purchased Services

EUR m	2016	2015
Cost of material	-351.2	-277.8
Purchased services	-7.4	-5.1
Total	-358.6	-282.8

(8.6) Personnel Costs

EUR m	2016	2015
Wages and salaries	-547.0	-457.3
Expenses for severance payments	-9.9	-8.5
Expenses for pensions	-4.4	-3.7
Cost of statutory social security, payroll-related taxes and mandatory contributions	-104.9	-89.7
Other social expenses	-10.5	-8.6
Total	-676.8	-567.8

Expenses for severance payments include expenses for defined contribution plans of EUR 1.9 million (previous year: EUR 1.7 million) and expenses for pension plans of EUR 1.8 million (previous year: EUR 1.8 million).

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

	2016	2015
Salaried employees	8,619	7,754
Workers	14,772	12,202
Total	23,391	19,956

(8.7) Amortization, Depreciation, Impairment and Reversal of Impairment for Intangible Assets, Property, Plant and Equipment, and Investment Property

EUR m	2016	2015
Scheduled depreciation/amortization	-299.7	-266.5
Impairment	-33.3	-45.8 ¹⁾
Impairment reversals	8.6	11.0
Total	-324.4	-301.3

¹⁾ Adjustment of previous year's figures according to IAS 8

The breakdown of the depreciation/amortization for the year according to the individual asset classes is shown in notes (7.1), (7.2) and (7.3).

The impairments relate to the "Gaming Technology" segment of EUR 9.1 million (previous year: EUR 16.3 million), the "Gaming Operations" segment of EUR 24.2 million (previous year: EUR 27.5 million), and to "Other" of EUR 0.0 million (previous year: EUR 2.0 million). The impairment reversals relate to the "Gaming Technology" segment of EUR 0.8 million (previous year: EUR 3.3 million) and the "Gaming Operations" segment of EUR 7.8 million (previous year: EUR 7.7 million).

(8.8) Other Operating Expenses

EUR m	2016	2015
Other taxes, fees and charges	-75.8	-68.1
Maintenance	-44.2	-37.2
Energy costs	-31.9	-29.2
Telephone, communications	-14.7	-12.3
Rental expense for real estate	-121.2	-101.8
Rental expense for slot machines	-9.3	-8.9
Rental expense for other assets	-9.2	-8.0
Insurance costs	-6.4	-5.1
Vehicle fleet operation costs	-15.7	-14.5
Legal, audit and consulting costs	-44.3	-37.7
Other services received	-46.8	-42.2
Advertising costs	-108.9	-107.0
Traveling costs	-16.5	-14.1
Development costs	-23.3	-29.7
License costs	-13.8	-11.7
Commissions	-16.0	-10.6
Partners' shares	-23.0	-25.2
Bad debt and valuation adjustment	-10.2	-10.8
Loss from the disposal of property, plant and equipment	-6.8	-6.1
Security costs	-15.6	-14.1
Foreign exchange losses	-3.7	-10.7
Deconsolidation	0.0	-5.5
Other expenses	-103.8	-102.7
Release of provisions	4.5	5.1
Total	-756.7	-707.9

The rental expenses for real estate, slot machines and other assets were incurred through operating lease agreements. Further details are provided in note (12).

(8.9) Interest Income

EUR m	2016	2015
Interest Income	6.6	7.1
Interest income from finance lease receivables	1.2	1.3
Total	7.8	8.4

(8.10) Other Financial Income

EUR m	2016	2015
Income from the disposal of financial assets	0.6	13.1
Investment income from other investments	3.8	9.3
Fair value valuation of interest rate swaps	0.0	0.0
Other financial income	8.2	2.1
Total	12.6	24.4

The shares in NovoSun S.A., Chile, valued at equity, were sold in 2014. The disposal resulted in variable sales proceeds of EUR 13.1 million in 2015, which were recognized as a cash transaction in 2016.

The financial investment in Österreichische Lotterien Gesellschaft mbH (ÖLG) resulted in investment income of EUR 3.5 million (previous year: EUR 9.3 million).

(8.11) Interest Expenses

EUR m	2016	2015
Interest expenses	-10.6	-7.6
Interest expenses on bonds	-26.3	-24.5
Interest expenses on obligation under finance lease	-0.3	0.0
Total	-37.2	-32.1

(8.12) Other Financial Expenses

EUR m	2016	2015
Losses from the disposal of financial assets	-0.8	-3.6
Impairment of financial assets, loans and securities	-4.9	-1.6
Fair value valuation of interest rate swaps	-0.8	-0.1
Other financial expenses	-5.6	-8.0
Total	-12.1	-13.4

(8.13) Currency Exchange Gains/Losses from Intra-Group Financing

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

(8.14) Tax Expenses

EUR m	2016	2015
Current income tax expense	-84.8	-95.8
Current income tax relating to other periods	0.1	-11.7
Deferred tax income/expense	9.7	11.7 ¹⁾
Total	-75.0	-95.8

¹⁾ Adjustment of previous year's figures according to IAS 8

A reconciliation of income tax applying the Austrian corporate income tax rate of 25 percent (previous year: 25 percent) to the effective tax rate for the financial year 2016 is stated below:

EUR m	2016	2015
Earnings before taxes	229.4	308.5¹⁾
Computed income tax expense of 25 percent (previous year: 25 percent)	-57.4	-77.6¹⁾
Adjustment of the computed income tax expense		
Adjustment for foreign tax rates	-5.0	-5.8
Effects of non-taxable income	17.9	13.9
Effects of non-deductible expenses	-18.9	-10.0
Effects of tax advantages	3.7	2.9
Actual income tax relating to other periods	0.1	-11.7
Effects of change in income tax rate on deferred taxes	1.3	0.7
Effects of initially not recognized and unused tax losses and possible offsets on the actual tax expense	4.5	2.2
Effects of initially not recognized and unused tax losses and possible offsets on the deferred tax expense	1.7	19.0
Effects of adjustments or of the reversal of a previous adjustment of a deferred tax asset	-3.4	-3.9
Effects of unused tax losses and possible offsets not recognized as deferred taxes	-16.9	-23.2
Withholding tax	0.1	0.9
Other	-2.7	-3.1
Effective tax expense	-75.0	-95.8
Effective tax rate in %	32.7 %	31.1 %

¹⁾ Adjustment of previous year's figures according to IAS 8

Income taxes included in the other comprehensive income:

EUR m	2016	2015
Revaluation of available-for-sale financial instruments	-4.6	-0.2
Revaluation of the net defined benefit liability	0.8	0.2

(9) Notes on the Cash Flow Statement

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

The Group undertook the following non-cash investing and financing activities that are not reflected in the cash flow statement: receivables related to the sale of included subsidiaries of EUR 10.8 million (previous year: EUR 20.9 million) and liabilities and/or settlements from the acquisition of companies of EUR 27.8 million (previous year: EUR 11.3 million).

(10) Notes on Segment Reporting

For management purposes, the NOVOMATIC Group is divided into two business segments. These strategic segments form the basis for the segment reporting.

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

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

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

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

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

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

Segment Revenues

01-12/2016

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	903.1	1,370.6	20.4	0.0	2,294.1
Intra-segment revenues	139.0	9.0	7.2	-155.2	0.0
Total revenues	1,042.1	1,379.6	27.6	-155.2	2,294.1

01-12/2015

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

Segment Result

01-12/2016

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Segment result (EBIT)	145.8	138.3	-10.5	-9.5	264.1
Financial result					-34.7
Earnings before taxes					229.4
Income Taxes					-75.0
Annual profit					154.4

01-12/2015

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Segment result (EBIT)	159.5¹	176.3	0.1	-20.5	315.4
Financial result					-7.0
Earnings before taxes					308.5
Income Taxes					-95.8 ¹
Annual profit					212.7

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 or IFRS 3 "Business combinations"

Segment Assets and Liabilities

2016

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Non-allocated assets/liabilities	Total
Segment assets	1,290.6	1,165.6	138.3	-197.0	1,270.7	3,668.2
Segment liabilities	323.3	349.9	18.1	-163.8	1,769.2	2,296.7

2015

Mio. EUR	Gaming Technology	Gaming Operations	Other	Reconciliation	Non-allocated assets/liabilities	Total
Segment assets	1,172.1 ¹⁾	926.4 ¹⁾	137.2	-230.8 ¹⁾	978.2	2,983.2
Segment liabilities	294.1	364.1	13.7	-141.7	1,237.7 ¹⁾	1,767.9

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 or IFRS 3 "Business combinations"

Other Segment Information

2016

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Scheduled depreciation/amortization	-183.9	-109.3	-6.4	0.0	-299.7
Impairment	-9.1	-24.2	0.0	0.0	-33.3
Impairment reversals	0.7	7.9	0.0	0.0	8.6
Investments	245.6	176.5	12.2	0.0	434.3
Investments through business combinations	45.5	262.4	0.0	0.0	307.9
Book value of associated companies	0.0	0.0	0.2	0.0	0.2

2015

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Scheduled depreciation/amortization	-169.4	-90.8	-6.2	0.0	-266.5
Impairment	-26.3 ¹⁾	-17.5	-2.0	0.0	-45.8
Impairment reversals	3.2	7.7	0.0	0.0	11.0
Investments	190.0	111.9	6.4	0.0	308.3
Investments through business combinations	68.3 ¹⁾	101.5 ¹⁾	0.0	0.0	169.8
Book value of associated companies	0.0	0.0	0.2	0.0	0.2

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 or IFRS 3 "Business combinations"

Geographical Information

The Group recorded the following revenues and assets in the individual regions:

01-12/2016

EUR m	Austria	Germany	Italy	United Kingdom	Eastern Europe	Other countries, Europe	Other countries, international	Non-allocated assets	Total
Revenues	384.8	656.9	335.1	260.4	353.8	212.1	91.0	-	2,294.1
Assets	555.6	325.6	472.2	387.2	325.1	213.3	118.6	1,270.7	3,668.2

01-12/2015

EUR m	Austria	Germany	Italy	United Kingdom	Eastern Europe	Other countries, Europe	Other countries, international	Non-allocated assets	Total
Revenues	408.6	647.7	276.6	182.1	304.0	177.0	90.2	-	2,086.3
Assets	564.1	278.7 ¹⁾	367.3	248.9 ¹⁾	263.9 ¹⁾	174.3 ¹⁾	107.7	978.2	2,983.2

¹⁾ Adjustment of previous year's figures pursuant to IAS 8 or IFRS 3 "Business combinations"

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

(11) Notes on Financial Instruments

12/31/2016 EUR m	Category acc. to IAS 39				Fair value			
	Loans and receivables	Financial assets available for sale	Financial liabilities at amortized costs	Derivatives	Securities	Financial investments	Derivatives	Contingent consider- ations
Financial assets								
Financial assets		232.3			10.0	196.6		
Other non-current assets	82.7							
Trade receivables, other receivables and assets	252.5							
Current financial assets	3.6	9.2		6.1	9.2		6.1	
Cash and cash equivalents	877.8							
TOTAL	1,216.7	241.5	0.0	6.1	19.1	196.6	6.1	0.0
Financial liabilities								
Non-current financial liabilities			1,383.4					
Other non-current liabilities			18.4					0.0
Current financial liabilities			207.5	0.9			0.9	
Trade payables and other liabilities			170.6					7.4
TOTAL	0.0	0.0	1,779.8	0.9	0.0	0.0	0.9	7.4

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

Classification acc. to IFRS 7

Amortized costs

Cash and cash equivalents	Trade and lease receivables	Loans	Bonds	Bank and lease liabilities	Trade payables	Other receivables and liabilities	Investments in non-consolidated companies and shares
							31.2
	17.8	52.5				30.2	
	229.6					22.9	
	10.8	3.6					
877.8							
877.8	258.3	56.1	0.0	0.0	0.0	53.2	31.2

		2.5	937.8	449.1			
						18.4	
		0.9	147.7	61.3			
					116.9	53.7	
0.0	0.0	3.4	1,085.5	510.4	116.9	72.0	0.0

Classification acc. to IFRS 7

Amortized costs

Cash and cash equivalents	Trade and lease receivables	Loans	Bonds	Bank and lease liabilities	Trade payables	Other receivables and liabilities	Investments in non-consolidated companies and shares
							7.9
	9.1	58.9				25.7	
	206.9					40.6	
	13.0	3.7					
585.4							
585.4	229.1	62.6	0.0	0.0	0.0	66.3	7.9

		2.4	592.0	448.4			
						14.0	
		0.8	0.0	35.4			
					100.9	53.4	
0.0	0.0	3.1	592.0	483.8	100.9	67.3	0.0

Valuation of Financial Instruments

a. Fair Value of Financial Assets and Liabilities regularly carried at Fair Value

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

EUR m	12/31/2016	12/31/2015	Hierarchy
Assets			
Securities	19.1	18.5	Level 1
Financial investments	196.6	188.4	Level 3
Derivatives (positive market values)	2.1	0.9	Level 2
Derivatives (options)	4.0	3.2	Level 3
Liabilities			
Contingent considerations company acquisitions	7.4	15.7	Level 3
Derivatives (negative market values)	0.9	0.7	Level 2

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

The financial investments include the indirectly held 11.56 percent interest in Österreichische Lotterien Gesellschaft mbH (ÖLG) and the directly held 17.19 percent in Casinos Austria Aktiengesellschaft (CASAG). For the market value measurement of both financial investments, internally created company valuations were used applying recognized multiplier methods.

Österreichische Lotterien Gesellschaft mbH is the authorized concessionaire of the federal government as part of the gaming monopoly until September 30, 2027, performing the games Lotto "6/45", Euromillionen, Toto, Score Bets, number games 1-90, the additional game "Joker", raffle and instant scratch games, electronic lotteries (online gaming) at www.win2day.at and in video lottery terminal outlets, Keno, class lottery, Bingo and the numbers lottery "Toi Toi Toi".

For the market value measurement, an industry multiple derived from a peer group of eight international lottery companies was applied. The main input factor for this is the average ratio of enterprise value to EBITDA or EBIT for the selected peer group which is based on current market data and represents average market capitalization. At the time of submitting the offer or acquiring the interest, the EV/EBITDA multiplier was 7.83 and the EV/EBIT multiplier 8.89. The updated determination of the stated multipliers while maintaining the selected peer group led to an EV/EBITDA multiplier of 8.67 and an EV/EBIT multiplier of 9.67 for the financial year 2016. Firstly, the pro-rated EBITDAs and EBITs of ÖLG and its sub-subsidiaries from the most recent publicly available financial information for 2015 were calculated using these two multipliers. The calculated entity value was increased by the net financial assets or reduced by the net financial liabilities and adjusted for the special value of the investments. This equity value for a 100 percent interest was adjusted in consideration of an unchanged premium of 12.36 percent based on EBITDA, and 13.17 percent based on EBIT, for the acquisition of the interest and comes to around EUR 887.9 million. This resulted in a current market value of EUR 102.6 million for the 11.56 percent investment as of the balance sheet date. This subsequent measurement was recorded in equity, resulting in a revaluation of EUR 8.4 million that had no impact on income.

An increase in the multiplier of 0.5x would lead to an increase in the fair value of EUR 5.0 million or an increase in the underlying EBITDA/EBIT of the valuation item of 10 percent to an increase in the fair value of EUR 9.2 million.

Casinos Austria AG is the authorized concessionaire of the federal government within the framework of the gaming monopoly until December 31, 2027 and December 31, 2030, operating twelve casinos in Austria with day and evening games. It has locations in Baden, Bregenz, Graz, Innsbruck, Kitzbühel, Kleinwalsertal, Linz, Salzburg, Seefeld, Velden, Vienna and Zell am See. The casinos offer games such as roulette, different kinds of classic poker, Baccara chemin de fer, blackjack, Double Hit, Forty-one,

Seven Eleven, Wheel of Fortune, Punto Banco, Red Dog, Sic Bo, Nevada, Tropical Stud Poker, Easy Poker, Easy Black Jack and gaming machines.

A two-step weighted industry multiplier was used to measure the market value. When measuring the CASAG shares, the contribution of ÖLG (68 percent majority stake of CASAG) and the contribution of other CASAG companies were considered separately. A comparison group of 11 international casino companies served to calculate the industry multiplier for the other CASAG companies. At the time of submitting the offer or acquiring the interest, the EV/EBITDA multiplier was 9.11 and the EV/EBIT multiplier 13.55. The updated determination of the stated multipliers while maintaining the selected peer group led to an EV/EBITDA multiplier of 9.07 and an EV/EBIT multiplier of 13.35 for the financial year 2016. The multipliers from the ÖLG valuation and the other CASAG companies were weighted in accordance with the EBITDA/EBIT contribution, which resulted in an average EV/EBITDA multiplier of 8.81 and EV/EBIT multiplier of 10.81 for the financial year 2016. Firstly, the EBITDA and EBIT were extrapolated from the most recent publicly available financial information of the CASAG Group for 2015 using these two multipliers. The calculated entity value was increased by the net financial assets or reduced by the net financial liabilities and adjusted for non-controlling interests. The resulting equity value for a 100 percent interest was adjusted in consideration of an unchanged discount of 24.4 percent based on EBITDA, and 18.2 percent based on EBIT, for the acquisition of the interest and comes to around EUR 546.7 million. This resulted in a current market value of EUR 94.0 million for the 17.2 percent investment as of the balance sheet date. This subsequent measurement was recorded in equity, resulting in a revaluation of EUR 8.2 million that had no impact on income.

An increase in the multiplier of 0.5x would lead to an increase in the fair value of EUR 8.9 million or an increase in the underlying EBITDA/EBIT of the valuation item of 10 percent to an increase in the fair value of EUR 13.7 million.

In the second half of 2016, NOVOMATIC AG participated in the capital increase of Oberbank AG. The investment volume for the 9,000 new shares was EUR 0.5 million.

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

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

EUR m	12/31/2016		12/31/2015	
	Nominal amount	Market value	Nominal amount	Market value
USD forward contract (positive)	88.8	2.1	37.4	0.9
USD forward contract (negative)	0.0	0.0	25.0	-0.6
Interest rate swap	77.5	-0.9	77.5	-0.1

Through an option, the NOVOMATIC Group has secured the right to acquire shares in an unlisted company. To determine the current price of this purchased option, its successful assignment to an independent contractual partner was considered. This resulted in a current positive market value of EUR 4.0 million for the option as of the balance sheet date. This subsequent measurement was recorded in the income statement under other financial expenses with an amount of EUR 0.8 million.

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

The valuation of the obligations from contingent purchase prices is based on updated revenue and/or EBITDA estimates. Changes after the initial recognition of EUR -0.6 million (previous year: EUR 0.7 million) from the subsequent valuation or settlement have been accounted for in other financial income or expense. The contingent considerations are shown in the balance sheet with EUR 0.0 million (previous year: EUR 9.4 million) under the other non-current liabilities (purchase price obligations) and with EUR 7.4 million (previous year: EUR 6.4 million) under trade payables and other liabilities (purchase price obligations). The change in the contingent consideration from business combinations by EUR -8.3 million is the result of an addition amounting to EUR 6.3 million from acquisitions and a disposal amounting to EUR -15.0 million from settlement or discharge. Purchase price obligations have a residual term of 1 year.

b. Fair Value of Financial Assets and Liabilities not carried at Fair Value regularly, whereby the Fair Value has to be disclosed

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

EUR m	12/31/2016		12/31/2015		Hierarchy
	Book value	Fair value	Book value	Fair value	
Financial liabilities					
Bonds	1,085.5	1,145.0	592.0	625.8	Level 1
Bank and leasing liabilities	510.4	517.0	483.8	484.5	Level 2

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

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

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

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

Net Result by Category According to IAS 39

12/31/2016		Subsequent measurement			
EUR m	Allowances	At fair value through profit or loss	At fair value through other comprehensive income	Disposal result	Net result
Loans and receivables	-10.2				-10.2
Derivatives		1.8			1.8
Available-for-sale financial assets			15.2	0.2	15.4

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

Capital Risk Management

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

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

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

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

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

The equity ratio and the ratio of net indebtedness to EBITDA as per December 31, 2016, and as per December 31, 2015, are calculated as follows:

	2016	2015
Equity ratio (equity/balance sheet total)	37.4 %	40.7 %
Net debt to EBITDA (net debt/EBITDA)	1.2	0.8

In October 2015, NOVOMATIC AG received a rating for the first time from the ratings agency Standard & Poor's and, since this time, has held a BBB rating with a stable outlook.

Financial Risk Management

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

Alongside the identification, analysis and evaluation of financial risks, decisions on the implementation of protective measures and instruments are made primarily by the headquarters. Analysis and quantification of the risk potential and the use of hedging instruments are monitored by the Group Treasury department. Any use of derivative instruments at a decentralized level is coordinated in advance with the Group Treasury in accordance with Group policy.

Liquidity Risk

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

Thanks to the Group's conservative financing and debt policy, as well as the conservative investment policy, the NOVOMATIC Group's liquidity risk is limited. Even so, the NOVOMATIC Group accords high priority to the topic of liquidity risk and its control. In order to guarantee the Group's solvency and financial flexibility at all times, the Group maintains a liquidity reserve in the form of revolving usable credit lines (as of December 31, 2016: EUR 450.0 million, thereof EUR 450.0 million unused) and short-term money market investments. A short-term and a long-term continuous liquidity plan is compiled based on the results of the Group's strategy and planning processes in order to provide an up-to-date impression of the expected development of liquidity at Group level. Medium-term and long-term liquidity and financing needs of the NOVOMATIC Group are determined based on projected cash flows.

In addition to traditional credit financing, the NOVOMATIC Group in 2016 continues to enhance its focus on capital markets-based debt financing such as bonds (total volume as of December 31, 2016: EUR 1,100.0 million).

To additionally reduce the liquidity risk, the NOVOMATIC Group always seeks to have an internationally diversified investor base. For this purpose, the emission of a eurobond in the amount of EUR 500.0 million (ISIN AT0000A1LHT0, due September 20, 2023) further strengthened the relationships to international investors such as banks, investment funds and financial service providers in the reporting year 2016. Over 300 investors registered interest in the transaction, meaning that the order book was oversubscribed six times. The investors come mainly from Germany, Austria, United Kingdom, France, Benelux and Italy.

The acquisition of Talarius Ltd. in the United Kingdom was financed with OeKB equity financing in the amount of EUR 120.0 million.

The promissory note tranche of EUR 5.0 million issued in December 2011, was repaid as agreed.

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

EUR m	2017	2018-2021	2016	2017-2020
Bonds	177.9	510.0	23.2	444.4
Bank loans	66.1	371.6	41.9	432.1
Lease liabilities	2.5	6.3	1.8	5.4
Trade payables	116.9	0.0	100.9	0.0
Derivatives	0.9	0.0	0.7	0.0
Contingent considerations	7.4	0.0	6.4	9.4
Other liabilities	53.7	18.4	53.4	14.0

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

Counterparty Risk

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

To screen the default risk for investments (current account balances, money market investments, capital market investments, securities) and for derivatives (positive market value of derivatives), the NOVOMATIC Group monitors the limits. The limit for counterparty credit risk depends on the type of trade and the counterparty's creditworthiness, with due attention paid to achieving a balanced distribution of the funds to avoid non-diversification risk. If a transaction exceeds its limit, measures to meet the defined target figures are initiated immediately. Furthermore, the development of the counterparties' creditworthiness in terms of finance (ratings, CDS spreads, common equity tier 1 ratio) is monitored continually, with counterparty risk limits being regularly adapted to correspond with any changes.

Apart from financing, the NOVOMATIC Group is also exposed to counterparty credit risk in the area of sales, since customers might not fulfill their payment obligations in full or when they are due. This risk is kept in check by regularly analyzing the creditworthiness of the customer portfolio and by continuously monitoring outstanding receivables. The default risk is in some cases reduced even further via additionally demanded collateral such as e.g. received deposits or documentary letters of credit for exports. This applies in particular to new customers. Additionally, contractually secured reservations of title, advance payment in part or in full, direct debiting and requiring shorter payment terms, further minimize the risk to which the NOVOMATIC Group is exposed. Thanks to the high number of external customers, there is no concentration of default risk.

The maximum risk in cases of default on receivables from customers to third-parties and loans to business partners is limited to their book value. For other financial assets (cash and cash equivalents, financial instruments available for sale and other financial instruments with the exception of derivatives), the maximum credit risk in the event of counterparty default is likewise the book value of these financial instruments. For derivative financial instruments, the maximum credit risk in cases of default is equivalent to the positive fair value of the derivative as of the valuation date.

Market Risk

a. Interest Rate Risk

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

In order to limit interest rate risk, current interest rate developments are constantly monitored and interest rate risks are hedged, if necessary, e.g. using interest rate swaps. Due to the high share of fixed-interest liabilities (approximately 98 percent) in the NOVOMATIC Group's financing portfolio, the cash flow risk due to increasing interest rates is limited. Variable-interest deposits exceed variable-interest financing vehicles, which structurally limits the cash flow risk due to increasing interest rates. Due to the current historical development of interest rates, the excess of variable-interest financial investments over the variable-interest financial liabilities increases the cash flow risk. If banks pass on the ECB's negative deposit rates to their business customers in the future, this would lead to a further increase in the cash flow risk for the NOVOMATIC Group, as the variable-interest financial liabilities largely have a contractual floor for the reference rates concerned.

The Executive Board has defined a guideline applicable across the Group for the use of hedging transactions. Derivative financial instruments are concluded exclusively for the purpose of collateralizing existing underlying transactions and not for speculative purposes. The interest rate swap with an amount of EUR 77.5 million and a term of five years (floored interest rate swap) that was concluded during the year under review in relation to the notes transaction is recognized at fair value as per the respective cut-off date in the consolidated financial statement.

The following schedule shows the impact of potential interest rate changes (+/- 50 basis points) on earnings before taxes and on equity based on reasonable judgment. The interest rate sensitivity analysis includes the effects of variable-interest bank liabilities and bank deposits, as well as the payments due under concluded derivatives contracts. For the calculation, an interest rate increase by 50 basis points and an interest rate reduction by 50 basis points, were simulated, taking into account the impact on interest expenses for bank liabilities, interest income from bank deposits and compensatory payments of derivatives.

EUR m	2016		2015	
	+50 basis points	-50 basis points	+50 basis points	-50 basis points
Change (in basis points)				
Change in earnings before taxes	1.8	-1.8	1.7	-1.7
Change in equity	1.3	-1.3	1.3	-1.3

In 2016, the average weighted interest rate for variable-interest financing was 2.3 percent, while the average 3M-EURIBOR was -0.265 percent (change of -0.245 percent). Due to the ECB's monetary policy decisions, some banks have charged their customers a negative interest on short-term bank deposits or threatened to do so. Due to this, a future interest rate reduction by 0.5 percent against the current level (i.e. further negative interest) is possible.

b. Foreign Exchange Risk

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

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

The purchase price payment for the acquisition of Talarius Ltd. in the United Kingdom, which was paid in 2016 in GBP, was hedged using forward currency contracts.

In an analysis to measure the sensitivity towards exchange rate movements, the payments and receipts in USD are netted. The impact of an exchange rate movement by +/- 10 USD cents on the net position is then calculated.

The following schedule, which is based on reasonable judgment, shows the effects of possible exchange rate movements by +/- 10 USD cents on earnings before taxes and on equity:

EUR m	2016				2015
	+10 USD cents	-10 USD cents	+10 USD cents	-10 USD cents	
Exchange rate fluctuation, USD to EUR					
Change in earnings before taxes	4.2	-5.0	2.9	-3.5	
Change in equity	3.2	-3.8	2.2	-2.6	

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

c. Capital Investments

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

In the second half of 2016, NOVOMATIC AG participated in the capital increase of Oberbank AG. The investment volume for the 9,000 new shares was EUR 0.5 million.

There were no further significant capital investment-related events in 2016.

(12) Notes on Leases and Contingent Liabilities

Finance Lease

NOVOMATIC Group as lessee:

The book values of intangible assets held under finance leases come to EUR 5.5 million (previous year: EUR 4.0 million). These lease contracts concern platforms that are disclosed under other intangible assets. The term of the leases is 4 years.

The book values of the Group's property, plant and equipment held under finance leases totals EUR 0.9 million (previous year: EUR 0.2 million). The property, plant and equipment held under finance lease comprise plant and machinery, office equipment, and vehicles. The terms of the leases lie between 3 and 5 years.

The book values of the Group's investment property held under finance lease add up to EUR 10.0 million (previous year: EUR 10.5 million). After the expiration of the agreement, ownership of the property will be transferred to the Group.

EUR m	Minimum lease payments		Present value of minimum lease payments	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Within one year	2.5	1.8	2.4	1.8
Between one and five years	6.3	5.4	6.0	5.0
Over five years	0.0	0.0	0.0	0.0
Total	8.9	7.3	8.4	6.8
Minus prospective financing costs	-0.4	-0.5		
Present value of lease obligations	8.4	6.8		

NOVOMATIC Group as lessor:

The Group concludes finance lease agreements for slot machines. The term of the concluded finance lease agreements is between 1 and 5 years.

EUR m	Minimum lease payments		Present value of minimum lease payments	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Within one year	12.5	14.2	10.8	13.0
Between one and five years	21.5	10.5	17.8	9.1
Over five years	0.0	0.0	0.0	0.0
Total	34.0	24.8	28.6	22.2
Minus prospective financing income	-5.4	-2.6		
Present value of lease receivables	28.6	22.2		

Operating Lease

NOVOMATIC Group as lessee:

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

EUR m	12/31/2016	12/31/2015
For the next year	63.8	53.0
For the following two to five years	143.2	125.1
Over five years	68.1	46.1

NOVOMATIC Group as lessor:

The Group concluded contracts for the rental of gaming machines with mainly irredeemable terms between 12 and 24 months. The gaming machines are shown under property, plant and equipment as plant and machinery. The rent payments during the reporting period are shown as sales revenue under income from rent and management services. Within the rent payments, conditional lease payments amount to EUR 242.9 million (previous year: EUR 189.8 million).

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

EUR m	12/31/2016	12/31/2015
For the next year	79.3	79.1
For the following two to five years	23.9	12.6
Over five years	5.5	0.4

Contingent Liabilities

EUR m	12/31/2016	12/31/2015
Bill commitments	0.9	0.2
Guarantees	7.7	5.9
Total	8.6	6.1

The Group has issued payment guarantees to UniCredit Bank Austria AG of EUR 0.2 million (previous year: EUR 0.2 million) in favor of third-parties. In Italy, payment guarantees of EUR 7.5 million (previous year: EUR 5.7 million) were granted to the regulatory authority ADM (formerly AAMS).

(13) Other Disclosures

Group Audit Fees

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

EUR m	2016	2015
Group audit and audit of financial statements	2.1	1.8
Audit-related services	0.2	0.0
Tax advisory services	0.3	0.3
Other consulting services	1.0	0.4

Related Party Transactions

The parent company of NOVOMATIC AG is Novo Invest GmbH in Gumpoldskirchen. The consolidated financial statement of NOVOMATIC AG is therefore included in the consolidated financial statement of Novo Invest GmbH being the ultimate parent company and is filed at the Regional Court of Wiener Neustadt under FN 381832v.

The related parties furthermore include the members of the bodies (Executive Board and Supervisory Board), non-consolidated affiliated subsidiaries, associated companies, as well as companies under the control of bodies or the shareholders of NOVOMATIC AG.

The following table summarizes the scope of business relationships with related parties for the individual financial years:

EUR m	Other		Management	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Receivables	16.0	10.7	0.0	0.0
Liabilities	5.4	13.7	0.2	0.2
Revenues	17.7	15.2	0.0	0.0
Cost of material	35.5	38.0	0.0	0.0
Consulting services	0.2	0.3	0.0	0.0
Research and development	11.9	15.8	0.0	0.0
Other expenses	4.5	2.7	0.0	0.0
Interest income	0.2	0.1	0.0	0.0

The item "Management" comprises the Supervisory Board and the Executive Board of NOVOMATIC AG. The business relationships with the management result, in particular, from consulting services. The management's remuneration is disclosed in the note on "company bodies".

The information provided for "Other" relates to companies that are controlled by the management or by the shareholders of NOVOMATIC AG. The transactions result from the delivery of goods and services, rental fees, and research and development services. Accounts receivable are unsecured and settled in cash. Guarantees were neither given nor received.

There were no transactions with associated companies during the two financial years.

Fully Consolidated Subsidiaries

IC code	Company, domicile	Superordinate company	Group share	Direct share
ABZOAT	AbZorba Games Betriebsges.m.b.H., Austria	GTA	100.00 %	100.00 %
ADMICS	Admira d.o.o., Serbia	NOVOCS	100.00 %	100.00 %
ACEAT	Admiral Casinos & Entertainment AG, Austria	NAG	100.00 %	100.00 %
ADCAES	Admiral Casinos S.A., Spain	NOGES	100.00 %	100.00 %
AGMIT	Admiral Entertainment S.r.l., Italy	ADRIT	100.00 %	100.00 %
ADGAES	Admiral Gaming Andalucia S.A., Spain	NOGES	100.00 %	100.00 %
ADCLES	Admiral Gaming Castilla y León S.L., Spain	ADGMES	100.00 %	100.00 %
ADOSES	Admiral Gaming Madrid S.L., Spain	SAMAES/ ADGMES	45.00 %/ 40.00 %	60.00 %/ 40.00 %
GMAIT	Admiral Gaming Network S.r.l., Italy	ADRIT	100.00 %	100.00 %
AIIT	Admiral Interactive S.r.l., Italy	ADRIT	100.00 %	100.00 %
ADGMES	Admiral Operations Spain S.L., Spain	NOGES	100.00 %	100.00 %
ALPDE	Admiral Play GmbH, Germany	NSMLDE	100.00 %	100.00 %
ADSLES	Admiral Slots S.A., Spain	NOGES	100.00 %	100.00 %
ASWDE	Admiral Sportwetten GmbH, Germany	NSMLDE	100.00 %	100.00 %
ASW	Admiral Sportwetten GmbH, Austria	AGI	100.00 %	100.00 %
ADMILV	Admiralu Klubs SIA, Latvia	AGI	60.00 %	60.00 %
AGVIT	Adria Gaming Vicenza S.r.l., Italy	ALLIT	100.00 %	100.00 %
ADRIAL	Adriatik Game Sh.A., Albania	EAGAL	100.00 %	100.00 %
NLSTTN	AGI Novomatic Tunisia S.A.R.L., Tunisia	AGI/NLSAT	1.00 %/99.00 %	1.00 %/99.00 %
AINSUK	Ainsworth (UK) Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
AIRO	Airoline GmbH, Austria	AGI	100.00 %	100.00 %
COMEBA	AK "COMET" d.o.o. Zivinice, Bosnia and Herzegovina	HTLBA	100.00 %	100.00 %
ALLOAT	Albanisch Österreichische Lotterien Holding Gesellschaft m.b.H., Austria	AGI	100.00 %	100.00 %
ALFLV	Alfor SIA, Latvia	AGI	60.00 %	60.00 %
ALLIT	Allstar S.r.l., Italy	ADRIT	100.00 %	100.00 %
AMONBA	Amoniq d.o.o. Zenica, Bosnia and Herzegovina	HTLBA	100.00 %	100.00 %
ASTRAL	Astra Albania Sh.A., Albania	EAGAL	100.00 %	100.00 %
ASCOUK	Astra Casino Gaming (One) Ltd., United Kingdom	ASCGUK	100.00 %	100.00 %
ASTRUK	Astra Games Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
AUSPDE	Automaten Service Playtime GmbH, Germany	EXTDE	100.00 %	100.00 %
AUSUES	Automáticos Surmatic S.L., Spain	ADGMES	60.00 %	60.00 %
BEAMT	BeatYa Online Entertainment p.l.c., Malta	GTA	100.00 %	100.00 %
BEKUDE	BeKu Automaten & Gastronomie Service GmbH, Germany	EXTDE	100.00 %	100.00 %
BELLUK	Bell-Fruit Group Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
BETWCS	Betware d.o.o., Serbia	BETWDK	100.00 %	100.00 %
BETWDK	Betware DK ApS., Denmark	BETHIS	100.00 %	100.00 %
BETWES	Betware S.L.U., Spain	BETHIS	100.00 %	100.00 %
BTVIIT	Bingo Time Vicenza S.r.l., Italy	AGMIT	100.00 %	100.00 %
BLUECA	Bluebat Games Inc., Canada	GTCACA	70.00 %	70.00 %
BPAFDE	BPA Freizeit- und Unterhaltungsbetriebe GmbH, Germany	NSMLDE	100.00 %	100.00 %
BRASES	Brasan Bros S.A., Spain	JANOS	60.00 %	100.00 %

NEWTUK	Brian Newton Leisure Ltd., United Kingdom	LUXLUK	100.00 %	100.00 %
CAHONL	Casino Admiral Holland B.V., Netherlands	JVHPNL	100.00 %	100.00 %
CAZENL	Casino Admiral Zeeland B.V., Netherlands	JVHPNL	100.00 %	100.00 %
CAALIT	Casino delle Alpi Srl, Italy	ADRIT	51.00 %	51.00 %
CAS1DE	Casino Deluxe Beteiligungsgesellschaft m.b.H. I, Germany	BPAFDE	100.00 %	100.00 %
CAS3DE	Casino Deluxe Beteiligungsgesellschaft m.b.H. III, Germany	BPAFDE	100.00 %	100.00 %
VIDDE	Casino Deluxe Beteiligungsgesellschaft m.b.H. IV, Germany	BPAFDE	100.00 %	100.00 %
CASKDE	Casino Entertainment GmbH & Co. KG, Germany	EXTDE	100.00 %	100.00 %
CARIDE	Casino Rixos GmbH, Germany	EXTDE	100.00 %	100.00 %
CER	Cervo Media GmbH, Austria	GTA	100.00 %	100.00 %
CITYDE	City Freizeitanlagen GmbH, Germany	EXTDE	100.00 %	100.00 %
COMEES	Comercial Txartel S.L., Spain	ADGMES	80.00 %	80.00 %
COSPDE	Conrad Spielautomaten GmbH, Germany	EXTDE	100.00 %	100.00 %
CROMX	Crown Gaming Mexico S.A. de C.V., Mexico	AGI/HTM	99.99 %/0.01 %	99.99 %/ 0.01 %
CROPY	Crown Gaming Paraguay S.A., Paraguay	NLAHES	65.00 %	65.00 %
CROPE	Crown Gaming S.A.C., Peru	NOVOPE	100.00 %	100.00 %
AGIMX	Crown Gaming Services Mexico S. de R.L. de C.V., Mexico	AGI/HTM	80.00 %/20.00 %	80.00 %/20.00 %
CRODE	Crown Technologies GmbH, Germany	NSMLDE	100.00 %	100.00 %
CRYAN	CRYdata N.V., Curacao	FMASK	100.00 %	100.00 %
DOMIDE	Domino-Automaten-Betriebs-GmbH, Germany	EXTDE	100.00 %	100.00 %
EAGAL	Eagle Investment Sh.A, Albania	AGI	100.00 %	100.00 %
DOLAES	El Dolar de plata Linense S.L., Spain	VERAES	51.04 %	100.00 %
DORAES	El Dorado Derby S.L., Spain	ADGMES	80.00 %	80.00 %
ELAMNL	Elam Group Electronic Amusement B.V., Netherlands	EUCGNL	100.00 %	100.00 %
ELSYIT	Electro System S.p.A., Italy	ADRIT	75.00 %	75.00 %
ELLPIT	Ellepi Ges. S.r.l., Italy	AGMIT	100.00 %	100.00 %
EMPUK	Empire Games Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
EN61UK	Ensco 961 Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
EN62UK	Ensco 962 Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
EUCGNL	Eurocoin Gaming B.V., Netherlands	JVHPNL	100.00 %	100.00 %
AWPDNL	Eurocoin Interactive B.V., Netherlands	JVHPNL	100.00 %	100.00 %
EUROIT	Euromat S.r.l., Italy	ADRIT	60.00 %	60.00 %
EXTDE	Extra Games Entertainment GmbH, Germany	NSMLDE	100.00 %	100.00 %
EXLGUK	Extreme Live Gaming Ltd., United Kingdom	ASTUK	92.50 %	92.50 %
EZEADE	EZEA GmbH, Germany	EXTDE	100.00 %	100.00 %
FUNHUK	Funhouse Leisure Ltd., United Kingdom	PLAYUK	100.00 %	100.00 %
FUSAUK	Funhouse Leisure Sales Ltd., United Kingdom	PLAYUK	100.00 %	100.00 %
FST	Funstage Spielewebseiten Betriebsges.m.b.H., Austria	GTA	100.00 %	100.00 %
GAM	G.A.M.E. SYS Geldspiel-Automaten-Miet-Elektronik-System GmbH, Austria	AGI	100.00 %	100.00 %
GAMEUK	Gamestec Leisure Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
GESGES	GesGiGames S.L.U., Spain	GIGAES	80.00 %	100.00 %
GNORES	GiGames Norte S.L., Spain	GIGAES	80.00 %	100.00 %
GIGAES	GiGames S.L., Spain	NOGES	80.00 %	80.00 %

GSM	Giochi San Marino S.p.A., San Marino	AGI	93.00 %	93.00 %
GRCAES	Gran Casino Aljarafe S.A., Spain	ADCAES	100.00 %	100.00 %
GALUK	Greentube Alderney Ltd., United Kingdom	GTMT	100.00 %	100.00 %
GTCACA	Greentube Canada Interactive Entertainment Corp., Canada	GTA	100.00 %	100.00 %
GTGIGI	Greentube Gibraltar Ltd., Gibraltar	GTA	100.00 %	100.00 %
GTA	Greentube Internet Entertainment Solutions GmbH, Austria	ASTUK	100.00 %	100.00 %
GTMT	Greentube Malta Ltd., Malta	GTA	100.00 %	100.00 %
FMASK	Greentube Slovakia s.r.o., Slovakia	FST/GTA	0.38 %/99.62 %	0.38 %/99.62 %
HIRDE	Hirscher Moneysystems GmbH, Germany	CRODE	80.00 %	80.00 %
HOCAPE	Hotel Carrera S.A.C., Peru	IMRAPE/SIMAPE	99.90 %/0.10 %	99.90 %/0.10 %
HPABDE	HP Automatenbetriebs GmbH, Germany	EXTDE	100.00 %	100.00 %
HTLBA	HTL d.o.o. Sarajevo, Bosnia and Herzegovina	AGI	100.00 %	100.00 %
HTLMK	HTL Makedonija DOOEL, Macedonia	AGI	100.00 %	100.00 %
HTLME	HTL Montenegro d.o.o., Montenegro	AGI	100.00 %	100.00 %
HTLUA	HTL Ukraine TOV, Ukraine	AGI	100.00 %	100.00 %
HTM	HTM Hotel- u. Tourismus Management GmbH, Austria	NAG	100.00 %	100.00 %
IDEADE	Ideal Entertainment GmbH, Germany	NWCDE	100.00 %	100.00 %
IGROUA	Igrotech-Import TOV, Ukraine	AZARLT	80.00 %	100.00 %
INEWCL	I-New Chile S.p.A., Chile	INEWAT	76.81 %	100.00 %
INEWCO	I-New Colombia S.A.S., Colombia	INEWAT	76.81 %	100.00 %
INEWHU	I-New Hungary Kft., Hungary	INEWAT	76.81 %	100.00 %
INEWPE	I-New Peru S.A.C., Peru	INEWAT	76.05 %	99.00 %
INEWAT	I-New Unified Mobile Solutions AG, Austria	NAG	76.81 %	76.81 %
INEWMX	I-New Unified Mobile Solutions S.A. de C.V., Mexico	INEWAT	76.80 %	99.99 %
IMRAPE	Inmobiliaria Rapid S.A.C., Peru	CROPE	100.00 %	100.00 %
INTEHR	Interigre d.o.o., Croatia	NOGHR	100.00 %	100.00 %
INTRO	Intertop S.r.l., Romania	NOVORO/ HTM/ AGI	99.9787 %/ 0.0099 %/ 0.0017 %	99.9787 %/ 0.0099 %/ 0.0017 %
SCHAAF	J.u.C. Schaaf Spielautomatenbetriebsges.m.b.H., Austria	GAM	100.00 %	100.00 %
JANOES	Juegos Automáticos Nacidos Para el ocio S.L., Spain	SAMAES	60.00 %	80.00 %
JVHPDE	JVH gaming products GmbH, Germany	JVHPNL	100.00 %	100.00 %
KOENDE	Königstraße Spielstätten und Automaten UG, Germany	EXTDE	100.00 %	100.00 %
KSBKDE	Kurhessische Spielbank Kassel/BadWildungen GmbH & CO. KG, Germany	SIMKDE	100.00 %	100.00 %
LOTAAL	Lotaria Kombetare Sh.p.k., Albania	ALLOAT	100.00 %	100.00 %
NSMLDE	Löwen Entertainment GmbH, Germany	AGI	100.00 %	100.00 %
ASCGUK	Luxury Leisure Holdings Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
LUXLUK	Luxury Leisure Ultd., United Kingdom	ASCGUK	100.00 %	100.00 %
MAGMK	MA Gaming DOOEL, Macedonia	HTLMK	100.00 %	100.00 %
MAKOMK	Makoten DOOEL, Macedonia	AGI	100.00 %	100.00 %
MASTMK	Masterbet DOOEL, Macedonia	HTLMK	100.00 %	100.00 %
MEDHR	Mediteran Gaming d.o.o., Croatia	NOGHR	100.00 %	100.00 %
MGGAIT	MG Gaming S.r.l., Italy	SOGIT	100.00 %	100.00 %

MILLIT	Millenium Srl., Italy	ADRIT	100.00 %	100.00 %
MNAME	MNA Gaming d.o.o., Montenegro	HTLME	100.00 %	100.00 %
MOISDE	Moislinger Spielstätten und Automaten UG, Germany	EXTDE	100.00 %	100.00 %
MICACS	MS&NS d.o.o., Serbia	NOVOCS	80.00 %	80.00 %
MUEHDE	Mühlenstraße Spielstätten und Automaten UG, Germany	EXTDE	100.00 %	100.00 %
NMN	NMN Immo GmbH, Austria	AGI/NAG	1.00 %/99.00 %	1.00 %/99.00 %
NORDDE	Norddeutsche Spielbanken GmbH, Germany	NAG	100.00 %	100.00 %
NOVOCR	Novo Gaming CR Ltda., Costa Rica	NLAHES	100.00 %	100.00 %
NOGHR	Novo Gaming d.o.o., Croatia	AGI	100.00 %	100.00 %
NOVOGT	Novo Gaming GT Limitada, Guatemala	NLAHES/HTM	99.999 %/ 0.001 %	99.999 %/ 0.001 %
IKGDE	Novo Immobilien GmbH, Germany	NAG	100.00 %	100.00 %
NOVOBG	Novo Investment Bulgaria EOOD, Bulgaria	AGI	100.00 %	100.00 %
NOVOCS	Novo Investment d.o.o., Serbia	AGI	100.00 %	100.00 %
NOVORO	Novo Investment RO SRL, Romania	AGI/HTM	99.85 %/0.15 %	99.85 %/0.15 %
NLSIS	Novo Lottery Solutions Iceland hf., Iceland	NAG/NLSAT	0.24 %/99.76 %	0.24 %/99.76 %
NOVOPA	Novo Panama S.de R.L., Panama	NLAHES/HTM	99.90 %/0.10 %	99.90 %/0.10 %
NOVOBA	NOVO RS d.o.o., Bosnia and Herzegovina	AGI	100.00 %	100.00 %
NVLTAT	Novo VLTech GmbH, Austria	AGI	100.00 %	100.00 %
NVLTRO	Novo VLTech Solutions SRL, Romania	AGI/NVLTAT	0.01 %/99.99 %	0.01 %/99.99 %
NOVOCL	Novochile Ltda., Chile	AGI/HTM	99.00 %/1.00 %	99.00 %/1.00 %
NEE	Novoloto OÜ, Estonia	ADMILV	60.00 %	100.00 %
AGISA	Novomatic Africa (Pty) Ltd., South Africa	AGI	100.00 %	100.00 %
NAHUS	Novomatic Americas Holdings Inc., USA	NAG	100.00 %	100.00 %
NAINUS	Novomatic Americas Investments Inc., USA	NAHUS	100.00 %	100.00 %
NARUS	Novomatic Americas Real Estate LLC, USA	NAHUS	100.00 %	100.00 %
NASUS	Novomatic Americas Sales LLC, USA	NAHUS/NAINUS	99.00 %/1.00 %	99.00 %/1.00 %
AGIAR	Novomatic Argentina Limitada S.r.l., Argentina	AGI/HTM	90.00 %/10.00 %	90.00 %/10.00 %
JVHMNL	Novomatic Development NL B.V., Netherlands	JVHPNL	100.00 %	100.00 %
NGEXNL	Novomatic Exploitatie NL I B.V., Netherlands	JVHPNL	100.00 %	100.00 %
LOONNL	Novomatic Exploitatie NL II B.V., Netherlands	JVHPNL	100.00 %	100.00 %
JVHENL	Novomatic Exploitatie NL III B.V., Netherlands	JVHPNL	100.00 %	100.00 %
OLACO	Novomatic Gaming Colombia S.A.S., Colombia	AGI	100.00 %	100.00 %
AGI	Novomatic Gaming Industries GmbH, Austria	NAG	100.00 %	100.00 %
NOGES	Novomatic Gaming Spain S.A., Spain	AGI	100.00 %	100.00 %
NHCCCL	Novomatic Holdings Chile Ltda., Chile	NICCL	100.00 %	100.00 %
AGIHU	Novomatic Hungaria Kft., Hungary	AGI	100.00 %	100.00 %
NICCL	Novomatic Investment Chile S.A., Chile	NAG	100.00 %	100.00 %
ADRIT	Novomatic Italia S.p.A., Italy	NAG	100.00 %	100.00 %
AGSIT	Novomatic Italia Services S.r.l., Italy	ADRIT	100.00 %	100.00 %
NLAHES	Novomatic LatAm Holding S.L.U., Spain	AGI	100.00 %	100.00 %
BETHIS	Novomatic Lottery Solutions (Iceland) hf., Iceland	NLSAT/NLSIS	15.84 %/84.16 %	15.84 %/84.16 %
NLSAT	Novomatic Lottery Solutions GmbH, Austria	NAG	100.00 %	100.00 %
NOVONL	Novomatic Netherlands B.V., Netherlands	AGI	100.00 %	100.00 %
NOVOPE	Novomatic Peru S.A.C., Peru	AGI/HTM	99.99 %/0.01 %	99.99 %/0.01 %
NOSSSES	Novomatic Services Spain S.L., Spain	NOGES	100.00 %	100.00 %

JVHPNL	Novomatic Services NL B.V., Netherlands	NOVONL	100.00 %	100.00 %
ASTUK	Novomatic UK Ltd., United Kingdom	AGI	100.00 %	100.00 %
NWCDE	NWC Nord West Casino Beteiligungs GmbH, Germany	NWCKDE	100.00 %	100.00 %
NWCKDE	NWC Nord West Casino GmbH & Co. KG, Germany	EXTDE	100.00 %	100.00 %
ARGAR	Octavian de Argentina S.A., Argentina	AGI/HTM	90.00 %/10.00 %	90.00 %/10.00 %
ALSGRU	Octavian Game Art OOO, Russia	AGI/SBPRU	99.90 %/0.10 %	99.90 %/0.10 %
SBPRU	Octavian SPb Limited Partnership, Russia	AGI	100.00 %	100.00 %
UGIRU	OOO United Gaming Industries, Russia	AGI	99.99 %	99.99 %
ORIOIT	Orione Srl, Italy	AGMIT	100.00 %	100.00 %
OTIUES	Otiumgi S.L., Spain	AGI	60.00 %	60.00 %
PLANBY	Planeta IGR, Belarus	AZARLT	80.00 %	100.00 %
PLAAT	Platogo Interactive Entertainment GmbH, Austria	GTA	100.00 %	100.00 %
PLAYUK	Playnation Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
PLAYDE	Play-Point Spielhallen- und Automatenbetriebsges.m.b.H., Germany	EXTDE	100.00 %	100.00 %
PROMIT	Promotrice Giochi S.r.l., Italy	AGMIT	100.00 %	100.00 %
RALLUK	RAL Ltd., United Kingdom	TALAUK	100.00 %	100.00 %
LORZNL	Recreatieprojecten Zeeland B.V., Netherlands	CAZENL	100.00 %	100.00 %
HISPES	Recreativos Hispajuegos S.L., Spain	ADGMES/ SAMAES	24.00 %/ 27.04 %	24.00 %/ 36.05 %
REDDDE	Red Devil Spielothek GmbH, Germany	EXTDE	100.00 %	100.00 %
HTBLBA	RSA Gaming d.o.o., Bosnia and Herzegovina	NOVOBA	100.00 %	100.00 %
RUTAES	Ruta 777 S.L., Spain	NOGES	80.00 %	80.00 %
ASGOUK	S.A.L. Leisure Holdings Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
SALLUK	S.A.L. Leisure Ltd., United Kingdom	ASGOUK	100.00 %	100.00 %
S4GAES	S4Gaming S.L., Spain	OTIUES	60.00 %	100.00 %
SAMAES	Salones Macao S.L., Spain	ADGMES	75.00 %	75.00 %
SIMAPE	Sierra Machines S.A.C., Peru	CROPE	100.00 %	100.00 %
SIMKDE	SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & CO. KG, Germany	NAG	100.00 %	100.00 %
SLOTHU	Slotclub Kft. Hungary	AGIHU	100.00 %	100.00 %
MIBECS	SM&SM d.o.o., Serbia	NOVOCS	80.00 %	80.00 %
SOGIT	So.Ge.Slot S.p.A., Italy	ADRIT	100.00 %	100.00 %
SBEKDE	Spielbank Berlin Entertainment GmbH & Co.KG, Germany	NAG	60.00 %	60.00 %
SBBKDE	Spielbank Berlin Gustav Jaenecke GmbH & Co.KG, Germany	NAG	59.50 %	59.50 %
SBNKDE	Spielbank Berlin nationale Beteiligungs-gesellschaftmbH & Co.KG, Germany	NAG	100.00 %	100.00 %
STAKNL	Stakelogic B.V., Netherlands	GTA	100.00 %	100.00 %
TALAUK	Talarius Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
TREU9	Treuhand 9 GmbH, Poland	TREU1	60.00 %	100.00 %
TREU1	Treuhand GmbH, Austria	AGI	60.00 %	60.00 %
TURHDE	Turhan Spielsalon GmbH, Germany	EXTDE	100.00 %	100.00 %
AZARLT	UAB Azarto Technika, Lithuania	AGI	80.00 %	80.00 %
NOVOLT	UAB Novogaming Vilnius, Lithuania	AGI	80.00 %	80.00 %
TAXILT	UAB Taxillus, Lithuania	AZARLT	80.00 %	100.00 %
VSGALT	UAB VSGA, Lithuania	AZARLT	80.00 %	100.00 %

VERAES	Verajuegos S.L., Spain	ADGMES/ SAMAES	24.00 %/ 27.04 %	24.00 %/ 36.05 %
VILLBG	Villox Group EOOD, Bulgaria	NOVOBG	100.00 %	100.00 %
WETTRO	Wettpunkt International S.r.l., Romania	NOVORO	100.00 %	100.00 %
ZSCADE	ZS Casino Emsland GmbH, Germany	EXTDE	100.00 %	100.00 %

Non-Consolidated Affiliated Companies

IC code	Company, domicile	Superordinate company	Group share	Direct share
CRVBA	"Crveno-Crno" d.o.o. Mostar, Bosnia and Herzegovina	HTLBA	100.00 %	100.00 %
ABZOUK	AbZorba Games UK Ltd., United Kingdom	ABZOAT	100.00 %	100.00 %
CLUBUK	Admiral Club Ltd., United Kingdom	AGI	100.00 %	100.00 %
BAGYHU	Admiral Hungaria Kft., Hungary	AGIHU	100.00 %	100.00 %
AINSFR	Ainsworth France SAS, France	AGI	100.00 %	100.00 %
ALEARO	Alea Investrom SRL, Romania	NOVORO/HTM	99.00 %/1.00 %	99.00 %/1.00 %
ALPSIT	Alp S.r.l., Italy	ADRIT	70.00 %	70.00 %
ABETUK	Astra Betting (One) Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
ASGGUK	Astra Gaming Group Ltd., United Kingdom	ASTRUK	100.00 %	100.00 %
BAMUUK	Bell Amusements Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
BFGUK	Bell-Fruit Games Ltd., United Kingdom	BELLUK	100.00 %	100.00 %
BFSUK	Bell-Fruit Services Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
BEMARO	Bet Master SRL, Romania	NOVORO/HTM	99.00 %/1.00 %	99.00 %/1.00 %
BETBMT	BetCave Betting Solutions Limited, Malta	BETHMT	100.00 %	100.00 %
BETHMT	BetMen Holding Limited, Malta	ASW	100.00 %	100.00 %
BETOMT	BetMen Operations Limited, Malta	BETHMT	100.00 %	100.00 %
LOTTIT	Big Admiral S.r.l., Italy	AGMIT	100.00 %	100.00 %
BINGIT	Bingoland S.r.l., Italy	AGMIT	51.00 %	51.00 %
BUENNI	Buena Vista S.A., Nicaragua	CROPE	94.02 %	94.02 %
CASVDE	Casino Entertainment Verwaltungs-GmbH, Germany	EXTDE	100.00 %	100.00 %
CPASPH	CP Asian Solutions Corporation, Philippines	ASTUK	51.00 %	51.00 %
DHTCMK	DHTCM DOOEL, Macedonia	HTLMK	100.00 %	100.00 %
GNETUK	Games Network Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
GTECUK	Gamestec Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
GTSEMT	Greentube Malta SEE Ltd., Malta	GTMT	100.00 %	100.00 %
HTLXK	HTL Kosovo Sh.p.k., Kosovo	HTLMK	100.00 %	100.00 %
INEWBD	I-New Bangladesch Ltd., Bangladesh	INEWAT	76.81 %	100.00 %
INEWZA	I-New Unified Mobile Solutions Africa (PTY) Ltd., South Africa	INEWAT	76.81 %	100.00 %
INEWUS	I-New USA Inc., USA	INEWAT	76.81 %	100.00 %
INTLB	Interinvest Holding SAL, Lebanon	AGI	95.00 %	95.00 %
INLOLB	Interlog SAL, Lebanon	INTLB	95.00 %	100.00 %
KSBDE	Kurhessische Spielbank Kassel/BadWildungen Verwaltungs GmbH, Germany	SIMKDE	100.00 %	100.00 %
KWIKUK	Kwik Tan Ltd., United Kingdom	ASCGUK	100.00 %	100.00 %
LEISUK	Leisure Projects Ltd., United Kingdom	PLAYUK	100.00 %	100.00 %
MAZOUK	Mazooma Games Ltd., United Kingdom	BELLUK	100.00 %	100.00 %

MIGUK	Mazooma Interactive Games Ltd., United Kingdom	BELLUK	100.00 %	100.00 %
NOVAIT	Novomatic Group S.r.l., Italy	GMAIT	100.00 %	100.00 %
NOVOHN	Novo Gaming Honduras S.de R.L. de C.V., Honduras	NLAHES/HTM	99.95 %/0.05 %	99.95 %/0.05 %
IVGDE	Novo Immobilien Verwaltungsges.m.b.H., Germany	IKGDE	100.00 %	100.00 %
NOVOFR	NOVOMATIC France S.A.S., France	AGI	100.00 %	100.00 %
OSBKDE	Ostsee-Spielbanken GmbH & Co. KG, Germany	SBNKDE	51.00 %	51.00 %
RLMSUK	RLMS Sales Ltd., United Kingdom	BELLUK	100.00 %	100.00 %
SAYCO	Say:Hola! SAS, Colombia	INEWAT	76.81 %	100.00 %
SIMDE	SIM Spielbanken Investitions- und Management GmbH, Germany	NAG	100.00 %	100.00 %
SMARAT	SmartSpace GmbH, Austria	INEWAT	65.29 %	85.00 %
SBEVDE	Spielbank Berlin Entertainment Verwaltungs GmbH, Germany	SBEKDE	60.00 %	100.00 %
GIPDE	Spielbank Berlin nationale Beteiligungen Verwaltungs GmbH, Germany	SBNKDE	100.00 %	100.00 %
SBBVDE	Spielbank Berlin Verwaltungs GmbH, Germany	SBBKDE	59.50 %	100.00 %
SBMKDE	Spielbanken MV Bewerbergesellschaft GmbH & Co. KG, Germany	SBNKDE	75.00 %	75.00 %
SBMVDE	Spielbanken MV Bewerbergesellschaft Verwaltungs-GmbH, Germany	SBNKDE	75.00 %	75.00 %
STAKMT	Stakelogic Malta Limited, Malta	STAKNL	100.00 %	100.00 %
NOVOKH	Step © Enterprise Co. Ltd., Cambodia	NOVOSG	100.00 %	100.00 %
NOVOSG	Step Holdings PTE Ltd., Singapore	AGI	100.00 %	100.00 %
TREU16	Treuhand 16, Austria	AGI	100.00 %	100.00 %
TREU17	Treuhand 17, Austria	AGI	80.00 %	80.00 %
NOLOLT	UAB Novoloto Vilnius, Lithuania	AZARLT	80.00 %	100.00 %

Companies Consolidated Using the Equity Method

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

"Joint Operations" Consolidated Companies

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

Exemption from Disclosure for Group Companies

The following German companies are included in NOVOMATIC AG's consolidated financial statement as per IFRS as fully-consolidated companies and avail themselves of the possibility of exemption from a disclosure of their financial statements as of December 31, 2016, as granted under Sec. 264 para 3 and Sec. 264 b of the German Commercial Code:

- LÖWEN Entertainment GmbH, Bingen
- ADMIRAL Play GmbH, Düsseldorf
- Admiral Sportwetten GmbH, Rellingen
- Automaten Service Playtime GmbH, Pfullendorf
- Beku Automaten & Gastronomie Service GmbH, Pfullendorf
- BPA Freizeit- & Unterhaltungsbetriebe GmbH, Munich
- Casino Deluxe Beteiligungsgesellschaft mbH I, Munich
- Casino Deluxe Beteiligungsgesellschaft mbH III, Munich
- Casino Deluxe Beteiligungsgesellschaft mbH IV, Munich
- Casino Entertainment GmbH & Co. KG, Pfullendorf
- Casino Rixos GmbH, Pfullendorf
- City Freizeitanlagen GmbH, Pfullendorf
- Conrad Spielautomaten GmbH, Pfullendorf
- Crown Technologies GmbH, Rellingen
- Domino-Automaten-Betriebs-GmbH, Pfullendorf
- Extra Games Entertainment GmbH, Pfullendorf
- EZEА GmbH, Pfullendorf
- HP Automatenbetriebs GmbH, Pfullendorf
- Ideal Entertainment GmbH, Pfullendorf
- Königstrasse Spielstätten und Automaten UG, Pfullendorf
- Moislinger Spielstätten und Automaten UG, Pfullendorf
- Mühlenstrasse Spielstätten und Automaten UG, Pfullendorf
- NWC Nord West Casino Beteiligungs GmbH, Pfullendorf
- NWC Nord West Casino GmbH & Co. KG, Pfullendorf
- Play-Point Spielhallen- u. Automatenbetriebsges.m.b.H., Pfullendorf
- Red Devil Spielothek GmbH, Pfullendorf
- Turhan Spielsalon GmbH, Pfullendorf
- ZS Casino Emsland GmbH, Pfullendorf

(14) Subsequent Events after the Balance Sheet Date

Completed acquisitions

In January 2017, NOVOMATIC Gaming Industries GmbH (NGI), a subsidiary of NOVOMATIC AG, acquired a majority stake in four Polish companies (including two additional Polish subsidiaries). The business purpose of the companies acquired in the course of this transaction, ATSI S.A. and Fortress Gaming Technology S.A., was in relation to the development and programming activities for NGI, even before the share acquisition. The company ATT S.A. generates income primarily from the sale, general overhaul and resale of used gaming machines, and the fourth company acquired, Novo Poland Sp.z.o.o., is a holding company with a subsidiary that operates four smaller casinos in Poland. Gryphon Invest AG, a company related to NOVOMATIC AG, was the seller of the investments. The consideration for the entire transaction was EUR 67.2 million.

This acquisition constitutes a combination of companies with joint control over the subsidiary. As there are no specific rules provided for this in IFRS, and the fair values of the identified assets and assumed liabilities do not vary significantly from their book values, the fair values are not adjusted. The difference between the purchase price and acquired net assets, and the book values less shares of non-controlling shareholders, are offset against the retained earnings in the Group.

The provisionally adopted book values of the identifiable assets and liabilities are as follows:

EUR m	Book values
Intangible assets	0.1
Property, plant and equipment	4.9
Other non-current assets	0.1
Deferred tax assets	0.2
Inventories	1.2
Cash and cash equivalents	27.8
Other current assets	3.7
Non-current liabilities and provisions	-0.5
Deferred tax liabilities	0.0
Current liabilities and provisions	-1.3
Net assets	36.3

In January 2017, the newly founded 70-percent Group company ALP S.r.l acquired 100 percent of the shares in CIV S.r.l and PDP S.r.l in Italy, respectively. The acquired companies operated two gaming arcades together in the March and Abruzzo regions with 170 VLTs and 5 roulette tables.

The Group company Admiral Operations Spain concluded a purchase agreement in December 2016, for the acquisition of 51 percent of the shares in Basque Gaming S.L. The company operates a total of 13 gaming arcades in the Basque Country. With this acquisition, the Group will intensify its operating activity in the Basque Country and pool its own existing operations. The acquisition of Basque Gaming was subject to the condition precedent of various approvals by the Basque government and local authorities, which was ultimately met in March 2017.

In March 2017, 100 percent of the shares in Super Game B.V. and Biermann's Bingo B.V., the Netherlands, were acquired. The two acquired companies operate a total of seven gaming arcades.

In March 2017, NOVOMATIC Gaming Industries acquired 100 percent of the shares in Casino Royal GmbH, Germany. The acquired company and its 10 subsidiaries operate a total of 126 gaming arcades with a regional focus on North Rhine-Westphalia, Lower Saxony and Rhineland-Palatinate. With this acquisition, the Group strengthens its operating activity as an operator in the German gaming market.

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

EUR m	Fair values
Intangible assets	2.1
Property, plant and equipment	17.0
Other non-current assets	12.6
Deferred tax assets	0.0
Inventories	0.0
Cash and cash equivalents	12.9
Other current assets	2.0
Non-current liabilities and provisions	-41.1
Deferred tax liabilities	0.0
Current liabilities and provisions	-13.6
Net assets	-8.1
Non-controlling interests	-8.4
Goodwill	153.6
Consideration	137.1

The considerations provisionally amount to a total of EUR 137.1 million for the listed acquisitions and must be paid in cash and cash equivalents. Purchase price allocations are not yet available. The information provided above is therefore based on the acquired companies' latest available financial data.

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

Acquisitions subject to suspensive conditions

In February 2016, NOVOMATIC entered into a purchase agreement with Len Ainsworth regarding the acquisition of approximately 53 percent of the shares of Ainsworth Game Technology Ltd. (Ainsworth). Ainsworth is a publicly traded company listed in Australia and headquartered in Newington, Sydney. The company is one of the most renowned players in the international gaming industry. The company is a leading producer and provider of high-quality, innovative gaming solutions in Australasia as well as North and South America. Due to suspensive conditions, in particular, the required formal approvals by various international licensing and regulatory authorities, the closing of this transaction is not expected until the third quarter of 2017 at the earliest. The agreed purchase price is AUD 473.3 million.

Financing

In March 2017, NOVOMATIC AG concluded a revolving credit line of EUR 1 billion with a term of 5 years (with the option of prolonging for up to two years). The aim of this credit line is, on the one hand, to harmonize and refinance the existing credit lines, and, on the other hand, to provide general company financing, such as for company acquisitions.

(15) Company Bodies

The following members of the Executive Board were appointed for the financial year 2016 and beyond:

- Harald Neumann (CEO)
- Ryszard Presch (deputy chairman since March 22, 2016, COO since January 5, 2016)
- Thomas Graf (CTO)
- Peter Stein (CFO)
- Dr. Christian Widhalm (CIO since March 8, 2016)

In the financial year 2016 and during the time of preparation of this report, the Supervisory Board consisted of the following members:

- Senator Herbert Lugmayr (Chairman of the Supervisory Board until March 28, 2017)
- Dr. Bernd Oswald (Chairman from March 28, 2017)
- Dr. Christian Widhalm (Deputy Chairman of the Supervisory Board until March 8, 2016)
- Martina Flitsch (Deputy Chairwoman of the Supervisory Board since March 8, 2016, previously member)
- Martina Kurz (Member since March 8, 2016)
- Barbara Feldmann (Member since March 8, 2016)
- Dr. Robert Hofians (Member from March 28, 2017)

The current total remuneration of the members of the Executive Board of NOVOMATIC AG amounted to EUR 5.2 million (previous year: EUR 4.1 million). Of the expenses for severance payments and pensions, EUR 1.1 million (previous year: EUR -0.1 million) and EUR 0.8 million (previous year: EUR 0.1 million), respectively, were attributed to the Executive Board. The members of the Supervisory Board received EUR 0.2 million (previous year: EUR 0.3 million) for their functions. No loans or contingencies were granted to members of the Supervisory Board or Executive Board in the financial year 2016.



Dr. Bernd Oswald, Barbara Feldmann, Martina Flitsch, Martina Kurz, Dr. Robert Hofians

(16) Publication

The present consolidated financial statement was released on March 31, 2017, by the Executive Board for examination by the Supervisory Board, for presentation at the general shareholders' meeting, and for subsequent publication.

Statement by the Executive Board

We confirm that to the best of our knowledge the consolidated financial statement as of December 31, 2016, gives a true and fair view of the financial position, financial performance and cash flows of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and that the consolidated management report as of December 31, 2016, 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 the Group faces.

We confirm that to the best of our knowledge the annual financial statement of NOVOMATIC AG as of December 31, 2016, gives a true and fair view of the financial position, financial performance and cash flows of the company as required by the Austrian Commercial Code (UGB), and that the management report as of December 31, 2016, 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 the company faces.

Gumpoldskirchen, March 31, 2017

The Executive Board of NOVOMATIC AG



Harald Neumann
CEO



Ryszard Presch
Deputy CEO
COO



Thomas Graf
CTO



Peter Stein
CFO



Dr. Christian Widhalm
CIO

NOVOMATIC AG

Auditor's Report

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NOVOMATIC AG, Gumpoldskirchen which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB.

Basis for Opinion

We conducted our audit in accordance with the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill arising from Gaming Operations – United Kingdom

Description and Issue

The Group's goodwill arising from the Cash Generating Unit Gaming Operations – United Kingdom has increased to EUR 43.1 Mio at December 31, 2016, due to the acquisition of Talarius. A goodwill impairment test based on the income approach has been carried out by the Group in its annual review of the valuation of goodwill. Uncertainties in relation to future cash flows, due in particular to the estimated growth rate in use after the detailed planning phase, as well as the determination of the discount rate, are inherent in the income projection. Unforeseen changes in market conditions, particularly in the financial and capital markets, could have significant effects on the future valuation of goodwill. For further explanations we refer to Section 7.3 "Impairments and Reversals of Impairments" in the notes to the consolidated financial statements.

Our Response

We have assessed the appropriateness of the valuation model used in the impairment review of the goodwill arising from the cash generating unit Gaming Operations – United Kingdom. We have verified the projected cash flows with the 2017 budget as approved by the Supervisory Board. We have also verified the growth rates in use in the subsequent forecasting periods with internal sources, and the growth rate in use thereafter with industry-specific external sources. In determining the plausibility of the discount rates, we have consulted with our internal valuation experts. In addition, we have performed sensitivity analyses over changes in discount rates and growth rates.

Asset Valuation Gaming Operations – Germany

Description and Issue

Beginning July 1, 2017, there will be a reduction in the number of gaming venues and a decrease in the number of gaming machines in existing gaming venues due to the amended German Inter-State Treaty on Games of Chance (Glücksspieländerungsstaatsvertrag – GlüÄndStV) which came into force on July 1, 2012, and the related supplementary provisions for implementation as determined by the states. Financial items of concern include intangible assets and fixed assets, which have a total book value of EUR 99.9 Mio and accumulated depreciation of EUR 56.1 Mio as of December 31, 2016. Uncertainties arising from the interpretations of the treaty amendments and the implementations thereof could have significant effects on the determination as to whether impairment indicators exist. Due to the aforementioned uncertainties, estimations by management are inherent in the impairment tests performed by the Group, which inevitably impacted the results of the impairment reviews. The actual implementation of the amendments in the future could lead to considerable revisions of these estimations in subsequent years. For further explanations we refer to Section 7.3 “Impairments and Reversals of Impairments” in the notes to the consolidated financial statements.

Our Response

We have reviewed the Group’s documentation on the impacts of the treaty amendments on individual gaming venues and verified them with information within and external to the Group. In addition, we have critically assessed the appropriateness of the Group’s assumptions and assessments of the amendments.

Valuation of the investment in Österreichischen Lotterien Gesellschaft mbH (ÖLG) and Casinos Austria Aktiengesellschaft (CASAG)

Description and Issue

As at December 31, 2016, the indirect shareholding of 11.56 % in ÖLG and a direct shareholding of 17.19 % of CASAG were carried at a total book value of EUR 196.6 Mio. As NOVOMATIC AG does not have significant influence over these entities, the investments were classified as available-for-sale financial assets. As such, these investments are measured at fair value and the fair value changes are recognized directly in the consolidated statement of comprehensive income.

A multiples-based model was used in the measurement of fair value. For this purpose, industry-specific multiples were derived from international entities in the lottery and casino industries. The selection of these entities, as well as the necessary adjustments included the model, such as valuation adjustments and normalization of earnings, are subjected to uncertainties related to estimations and judgments, which have considerable influence on the results of the measurement. For further explanations we refer to Section 11 “Valuation of Financial Instruments” in the notes to the consolidated financial statements.

Our Response

We evaluated the appropriateness of the valuation model with the involvement of our internal valuation specialists, examined the appropriateness of the entities from which the industry-specific multiples were derived, reperformed the calculations of the multiples, and agreed the other financial information used in the valuation with the published financial statements of ÖLG and CASAG. In regards to the adjustments in valuation, we have examined as to whether these adjustments have been consistently applied over the periods in which the investments were held. In addition, we have audited the completeness of the related disclosures in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information contain all information in the annual report but does not include the consolidated financial statements, the management report and our auditor's report thereon. The annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the management has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

Opinion

In our opinion, the consolidated management report are prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to section 243a UGB and is consistent with the consolidated financial statements.

Statement

In the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit of the consolidated financial statements, we have not identified material misstatements in the consolidated management report.

Engagement Partner

The engagement partner responsible for the audit is Dr. Christoph Waldeck.

Vienna, March 31, 2017

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Christoph Waldeck
Certified Public Accountant

ppa. Mag. Barbara Müllner
Certified Public Accountant

This English translation of the audit report was prepared for the client's convenience only. It is not a legally binding translation of the German audit report.

The consolidated financial statements and our auditor's report may be published or transmitted together only if the consolidated financial statements and the management report are identical with the confirmed version. Section 281 para 2 Austrian Commercial Code applies to versions that differ



NOVOMATIC

INDIVIDUAL FINANCIAL STATEMENTS

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NOVOMATIC AG

Balance Sheet

as of December 31, 2016

Assets

A. FIXED ASSETS	12/31/2016	12/31/2015
	EUR	KEUR
I. Intangible assets		
1. Industrial and similar rights and assets and licenses in such rights and assets	10,475,460.29	23,282
II. Property, plant and equipment		
1. Land, buildings and improvements to third-party buildings	131,914,952.10	144,978
2. Plant and machinery	83,734.80	96
3. Other equipment, plant and office equipment	1,746,443.76	1,856
4. Advance payments and assets under construction	44,902.92	522
	133,790,033.58	147,452
III. Financial assets		
1. Shares in affiliated companies	824,185,363.84	762,369
2. Loans to affiliated companies	332,515,279.79	264,933
3. Investments	24,175,444.55	238
4. Loans to associated companies	461,302.60	422
5. Securities held as fixed assets	99,909,323.92	12,261
6. Other loans	5,089,081.27	8,167
	1,286,335,795.97	1,048,390
	1,430,601,289.84	1,219,124
B. CURRENT ASSETS		
I. Receivables and other assets		
1. Trade receivables	133,095.73	165
2. Receivables from affiliated companies	95,845,319.29	37,729
3. Other receivables and assets becoming due and payable after more than one year EUR 65,914.88 (Prior year: KEUR 66)	58,615,542.77	51,327
	154,593,957.79	89,221
II. Securities and interests		
Other securities and interests	9,140,942.38	10,589
III. Cash, bank deposits	363,676,706.06	121,643
	527,411,606.23	221,453
C. PREPAID EXPENSES		
	9,625,005.53	5,841
D. DEFERRED TAX ASSETS		
	7,317,044.22	6,646
	1,974,954,945.82	1,453,064

Shareholders' equity and liabilities

A. SHAREHOLDERS' EQUITY

	12/31/2016	12/31/2015
	EUR	KEUR
I. Called up and paid share capital	26,590,000.00	26,000
II. Capital reserves		
Tied up capital reserves	85,386,371.00	976
III. Retained earnings		
1. Legal reserve	1,623,629.00	1,624
2. Other reserves (free reserves)	15,395.39	15
	1,639,024.39	1,639
IV. Retained profits		
thereof retained profits brought forward EUR 101,914,382.91 (Prior year: KEUR 111,298)	111,171,890.80	151,914
	224,787,286.19	180,529

B. Provisions

1. Provisions for severance payments	1,826,737.00	779
2. Provisions for pensions	7,612,376.00	6,814
3. Provisions for taxes		
thereof deferred tax liabilities EUR 0.00 (Prior year: KEUR 1,748)	0.00	1,748
4. Other provisions	6,902,894.58	5,099
	16,342,007.58	14,440

C. Liabilities

becoming due and payable within one year EUR 360,758,586.88 (Prior year: KEUR 233,556)

becoming due and payable after more than one year EUR 1,373,067,065.17 (Prior year: KEUR 1,024,539)

1. Bonds		
becoming due and payable within one year EUR 150,000,000.00 (Prior year: KEUR 0)		
becoming due and payable after more than one year EUR 950,000,000.00 (Prior year: KEUR 600,000)	1,100,000,000.00	600,000
2. Due to banks		
becoming due and payable within one year EUR 23,476,483.77 (Prior year: KEUR 11,476)		
becoming due and payable after more than one year EUR 422,729,643.73 (Prior year: KEUR 424,206)	446,206,127.50	435,682
3. Trade payables		
becoming due and payable within one year EUR 1,535,966.94 (Prior year: KEUR 2,504)	1,535,966.94	2,504
4. Payables to affiliated companies		
becoming due and payable within one year EUR 166,150,320.13 (Prior year: KEUR 197,935)		
becoming due and payable after more than one year EUR 337,421.44 (Prior year: KEUR 333)	166,487,741.57	198,268
5. Other liabilities		
becoming due and payable within one year EUR 19,595,816.04 (Prior year: KEUR 21,641)		
of which taxes EUR 42,107.69 (Prior year: KEUR 19)		
of which social security EUR 48,848.93 (Prior year: KEUR 24)	19,595,816.04	21,641
	1,733,825,652.05	1,258,095
	1,974,954,945.82	1,453,064

NOVOMATIC AG

Profit and Loss Account

for the period from January 1, 2016 to December 31, 2016

	EUR	2016 EUR	2015 KEUR
1. Sales		76,624,483.11	78,475
2. Other operating income			
a. Income from the disposal of and additions to fixed assets, excluding financial assets	74,543.24		49
b. Income from the release of provisions	9,661.18		13
c. Other	4,010,300.86		47
		4,094,505.28	109
3. Expenses for material and other purchased manufacturing services			
Cost of purchased services	-730,545.98		-1,780
		-730,545.98	-1,780
4. Personnel expenses			
a. Salaries	-6,211,556.46		-10,828
b. Social expenses			
aa. Pension expenses	-759,877.96		-101
bb. Expenses for severance payments and contributions to external severance payments funds	-135,076.90		-461
cc. Cost of statutory social security, payroll-related taxes and mandatory contributions	-253,475.87		-1,220
dd. Other	-24,230.43		-164
	-1,172,661.16		-1,946
		-7,384,217.62	-12,774
5. Amortization and depreciation			
of intangible assets and of tangible assets thereof extraordinary depreciation EUR 6,500,000.00 (Prior year: KEUR 8,793)		-24,975,512.03	-31,342
6. Other operating expenses			
a. Taxes not included in line 16	-246,794.97		-131
b. Other	-73,927,697.53		-79,205
		-74,174,492.50	-79,336
7. Subtotal of lines 1 to 6 (Operating profit)		-26,545,779.74	-46,648

8. Investment income thereof from affiliated companies EUR 58,619,822.96 (Prior year: KEUR 106,081)	58,619,822.96	106,081
9. Income from other investments and long-term loans thereof from affiliated companies EUR 8,740,816.64 (Prior year: KEUR 8,694)	9,719,880.78	9,880
10. Other interest and similar income thereof from affiliated companies EUR 25,443.12 (Prior year: KEUR 100)	244,613.46	214
11. Income from the disposal of and the appreciation to financial assets	2,839,016.55	6,057
12. Expenses from financial assets and securities held as current assets a. Depreciation EUR -2,597,477.39 (Prior year: KEUR -9,174) b. Expenses from affiliated companies EUR -2,810,188.69 (Prior year: KEUR -8,469)	-4,398,446.75	-9,180
13. Interest and similar expenses thereof related to affiliated companies EUR -274,209.30 (Prior year: KEUR -673)	-38,161,081.21	-33,313
14. Subtotal of lines 8 to 13 (Financial success)	28,863,805.79	79,739
15. Earnings before tax (Subtotal of lines 7 to 14)	2,318,026.05	33,091
16. Taxes on income thereof tax apportionment EUR 4,615,558.78 (Prior year: KEUR 6,148) thereof deferred taxes EUR 2,419,603.96 (Prior year: KEUR 1,448)	6,939,481.84	7,526
17. Earnings after taxes = Net income for the year	9,257,507.89	40,617
18. Disposal of retained earnings	0.00	8
19. Allocation to retained earnings	0.00	-9
20. Profits carried forward from the previous year	101,914,382.91	111,298
21. Retained profits	111,171,890.80	151,914

Notes

for the financial year 2016

I. ACCOUNTING AND VALUATION PRINCIPLES

The accounting provisions of the Austrian Commercial Code (UGB) in its current version – taking into account the amendments as a result of the 2014 law revising accounting principles (Rechnungslegungs-Änderungsgesetz, RÄG 2014) – have been applied to this annual financial statement as of December 31, 2016.

In accordance with the provisions of RÄG 2014, the structure of the balance sheet and profit and loss account for the current financial year and the previous financial year has been adjusted. This means that the stated prior year figures may only be compared to the 2015 annual financial statement to a limited extent.

The annual accounts were prepared in compliance with the relevant requirements and generally accepted accounting principles to present a true and fair view, in all material respects, of the financial and earnings position of the company.

The principles of completeness and non-arbitrariness were applied. Valuation followed the principles of adequate and orderly accounting as well as the going concern assumption and was based on the valuation principles applied to last year's annual accounts unless changes in the valuation principles are explicitly stated for individual items. Assets and liabilities were assessed individually as of the balance sheet date.

In accordance with the principle of prudence, only profits realized as of balance sheet date are shown, and all apparent risks and impending losses that incurred during the current period or in previous periods were considered.

The profit and loss account was prepared according to the total expenditure format. Items of the balance sheet or the profit and loss account showing a zero balance for the current and the previous period were not listed in accordance with Sec. 223 para 7 of the Austrian Commercial Code.

The intangible assets, only if acquired against payment, as well as property, plant and equipment were stated at the cost of acquisition or production, less the scheduled depreciation corresponding to the expected useful life and less any potentially necessary extraordinary depreciation. Low-value assets with the cost of acquisition less than EUR 400.00 are fully depreciated in the year of 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 liabilities of an uncertain amount and/or origin were considered by setting up provisions according to reasonable commercial judgment.

Liabilities were valued at their redemption amount. Liabilities in foreign currency were valued at the foreign exchange rate offered at the balance sheet date or at a higher purchase rate at the date of transaction.

II. EXPLANATIONS CONCERNING THE BALANCE SHEET

ASSETS

A. Fixed Assets

1. Intangible Assets and Property, Plant and Equipment

Fixed assets are stated at the 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 enclosed.

1.1. Intangible Assets

Intangible assets are stated at acquisition cost less planned linear depreciation according to a useful life of 4 to 10 years. Write-downs and write-ups are made if the corresponding conditions exist.

Additions of KEUR 6 are related to a trademark.

The book values of intangible assets acquired from affiliated companies add up to KEUR 9,876 (previous year: KEUR 21,458).

1.2. Property, Plant and Equipment

The real estate value of undeveloped and developed land amounts to KEUR 36,968 (previous year: KEUR 37,726).

Other property, plant and equipment items are stated at the cost of acquisition or production less planned linear depreciation (spread over 25 to 50 years for buildings, 4 to 10 years for movable assets and structural investments). Low-value assets with a cost of acquisition of less than EUR 400.00 are fully depreciated in the year of acquisition or production.

Significant additions of the financial year concern the renovation of the external grounds of the Novomatic Forum.

2. Financial Assets

Financial assets are valued at their cost of acquisition.

Securities are valued at their cost of acquisition or their lower market values as of the balance sheet date.

Impairment of book values of domestic and foreign investments will be made in the case of:

- a persistent deterioration of earnings, and/or
- the necessity of support from the shareholder, and/or
- deficient means and measures as a result of the acquisition, and/or
- reorganization measures that will not result in substantial profits in the foreseeable future and represent deficiencies that cannot be eliminated anytime soon, and/or
- losses that can no longer be absorbed by the affiliated company alone.

Impairment is not made in cases of mere start-up losses.

Additions to the shares in affiliated companies amounting to KEUR 191,323 are mainly due to capital increases at Austrian and one Italian subsidiary.

For further details concerning the shares in affiliated companies, please refer to point IV.

Loans granted to affiliated companies amount to KEUR 332,515 (previous year: KEUR 264,933). This change concerned both disbursements to and repayments from subsidiaries in markets with promising growth prospects.

Other loans increased in the amount of KEUR 561 on the one hand and, on the other, decreased by KEUR 3,639 due to repatriations. Thus, the total acquisition costs as of December 31, 2016, amounted to KEUR 20,476 (previous year: KEUR 23,554).

Accumulated impairment remained at the previous year's level of KEUR 15,387.

Of loans granted to affiliated companies, an amount of KEUR 30,462 (previous year: KEUR 24,989) is due within one year.

Of the other loans, an amount of KEUR 1,408 (previous year: KEUR 1,827) is due within one year.

Non-current securities primarily relate to the addition of CASAG shares (17.19 percent stake).

B. Current Assets

1. Receivables and Other Assets

1.1. Trade Receivables

Trade receivables are stated at nominal value. In cases of apparent individual risk, the probable recoverable amount was recognized. Receivables are – as in the previous year – due within less than one year.

1.2. Receivables from Affiliated Companies

Receivables from affiliated companies mainly concern allocations with the subsidiaries NOVOMATIC Gaming Industries GmbH of KEUR 86,557, Novo VLTech GmbH of KEUR 730 and RSV Beteiligungs GmbH of KEUR 3,475. The balances particularly relate to the allocation accounts for tax allocations, dividends and cash pooling.

The receivables from affiliated companies include trade receivables of KEUR 19,557 (previous year: KEUR 23,587). The remaining time to maturity of the receivables – as in the previous year – is less than one year.

1.3. Other Receivables and Assets

Other receivables and assets amounting to KEUR 58,616 (previous year: KEUR 51,327) mainly concern a deposit related to precious metals amounting to KEUR 35,300 (previous year: KEUR 31,400) as well as credit balances with the tax authorities. The remaining other receivables of KEUR 66 (previous year: KEUR 66) are due in more than one year.

2. Cash and Bank Deposits

Bank deposits come to an amount of KEUR 363,676 (previous year: KEUR 121,643), of which KEUR 65,351 is not freely available.

C. Prepaid Expenses

The prepaid expenses amounting to KEUR 16,942 (previous year: KEUR 12,491) consist of capitalized discounts and expenditures pertaining to 2017 and the following years.

D. Deferred Tax Assets

Deferred tax assets are reported using the balance sheet liability method for all temporary differences between the tax valuation amounts of assets and liabilities and the book values in the individual financial statement.

Deferred tax assets are created for differences between the reported amounts in the individual financial statement and their respective tax bases that lead to a reduction in the tax burden in the future.

The income tax rate underlying the calculation of deferred taxes is 25 percent (previous year: 25 percent).

The net deferred tax assets resulting from differences in the amounts reported in the individual financial statement and their respective tax bases are as follows:

"+ " = deferred tax asset "- " = deferred tax liability	Difference Current financial year EUR	Deferred taxes Current financial year EUR	Deferred taxes Previous year EUR	Change Deferred taxes EUR
Property, plant and equipment	11,432,947.09	2,858,236.77	2,467,937.63	390,299.14
Investments in affiliated companies	2,114,147.30	528,536.83	311,367.39	217,169.44
Investments	5,955,356.73	1,488,839.18	1,979,464.15	-490,624.97
Receivables and Other Assets	2,271.92	567.98	647.14	-79.16
Prepaid expenses and accruals	4,740,724.40	1,185,181.11	871,172.48	314,008.63
Provisions	5,034,257.83	1,258,564.45	1,019,885.45	238,679.00
Untaxed reserves	-11,528.38	-2,882.10	-5,131.79	2,249.69
Total for 2016 balance = deferred tax assets	29,268,176.89	7,317,044.22	6,645,342.45	671,701.77

Shareholders' Equity and Liabilities

A. Shareholders' Equity

As a result of the capital increase by Gryphon Invest AG in April 2016, the called up and paid share capital of the company increased by KEUR 590 from KEUR 26,000 to KEUR 26,590, as well as the tied-up capital reserves by KEUR 84,410 from KEUR 976 to KEUR 85,386.

Pursuant to RÄG 2014, as of 01/01/2016, 75 percent of the untaxed reserves previously created under Sec. 205 of the Austrian Commercial Code (UGB) were moved directly into the retained earnings, less the deferred tax liabilities contained therein. Consequently, retained earnings increased by KEUR 15 from KEUR 1,623 to KEUR 1,639.

B. Provisions

In compliance with the principle of prudence, all identifiable risks and liabilities of an uncertain amount and/or origin at the balance sheet date were accounted for by setting up provisions according to reasonable commercial judgment.

The provisions for severance payments were calculated applying actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 1.58 percent (previous year: 2.0 percent) and assuming a pay increase of 2.5 percent (previous year: 2.5 percent). The minimum legal retirement age according to Austrian social security law (ASVG) regulations was assumed. Discounts due to fluctuations or other circumstances were not included.

The expenses for severance payments, at KEUR 81 (previous year: KEUR 346), concern changes in provisions.

Due to irrevocable pension commitments, a pension provision was formed. The calculation was conducted applying actuarial principles in accordance with IAS 19 using the projected unit credit method with an interest rate of 1.58 percent (previous year: 2.0 percent) and value adjustments of 3 percent. Pension expenses, at KEUR 799 (previous year: KEUR 148), concern changes in provisions.

Other provisions consist of those for auditing and consulting fees, expenses for annual reports, bonus payments to the Executive Board, unconsumed vacation and jubilee payments. Provisions for jubilee payments were also calculated in line with actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 1.58 percent (previous year: 2.0 percent) and assuming a pay increase of 2.5 percent (previous year: 2.5 percent).

The provision for unused vacation is calculated under the assumption of a divider of 18 working days per month.

Please refer to the enclosed supplement showing the development of provisions.

The provision for deferred tax liabilities was reversed in the financial year 2016, with the allocation of losses of foreign Group members within the meaning of Sec. 9 of the Austrian Corporate Income Tax Act (KStG), retrospectively taxed due to profits in 2016.

C. Liabilities

Maturity

KEUR	Total value of liabilities		
	with a maturity of less than 1 year	with a maturity of 1 to 5 years	with a maturity of over 5 years
Bonds	150,000	450,000	500,000
(previous year)	0	400,000	200,000
Due to banks	23,476	331,355	91,375
(previous year)	11,476	383,581	40,625
Trade payables	1,536	0	0
(previous year)	2,504	0	0
Due to affiliated companies	166,150	337	0
(previous year)	198,268	333	0
Other liabilities	19,596	0	0
(previous year)	21,641	0	0

In 2010, 2013, 2014 and 2015, bonds with a total value of KEUR 600,000 were issued to support further growth in the areas of development, production and gaming operations. In 2016, another bond was issued with a volume of KEUR 500,000, a maturity of 7 years and interest of 1.625 percent.

Liabilities to affiliated companies amounting to KEUR 143,657 (previous year: KEUR 157,958) concern other liabilities. Of this sum, a significant amount of KEUR 131,776 (previous year: KEUR 157,958) is due to the implementation of cash pooling agreements with Austrian and foreign subsidiaries in 2013. Other liabilities include expenses of KEUR 17,885 (previous year: KEUR 15,535) that will become only cash-effective after the balance sheet date.

D. Contingent Liabilities

At the balance sheet date, there are contingent liabilities amounting to KEUR 154,990 (previous year: KEUR 108,992), of which KEUR 154,990 (previous year: KEUR 108,992) concern affiliated companies.

Contingent liabilities comprise comfort letters or guarantees for bank loans for affiliated companies, and are composed as follows:

a) Contingent liabilities

KEUR				
Bank	Beneficiary company	Security	Ceiling	As of 12/31/2016
UniCredit Bank Austria AG Wien	HTM Hotel- und Tourismus Management GmbH	Comfort letter	7,218	7,218
UniCredit Bank Austria AG Wien	I-New Unified Mobile Solutions AG	Guarantee	500	267
Raiffeisenlandesbank OOE	HTM Hotel- und Tourismus Management GmbH	Comfort letter	1,574	1,574
Raiffeisenlandesbank Burgenland	I-New Unified Mobile Solutions AG	Guarantee	600	600
Raiffeisenlandesbank OOE	ADMIRAL Casinos & Entertainment AG	Comfort letter	581	581
Erste Group Bank AG	ADMIRAL Casinos & Entertainment AG	Guarantee	3,153	3,153
Oberbank Leasing	I-New Unified Mobile Solutions AG	Comfort letter	9,471	9,471
Oberbank AG	I-New Unified Mobile Solutions AG	Comfort letter	2,000	824
Hypo Bank Burgenland	ADMIRAL Casinos & Entertainment AG	Guarantee	176	176
Hypo Bank Burgenland	I-New Unified Mobile Solutions AG	Guarantee	1,800	1,770
Hypo Bank Burgenland	Admiral Sportwetten GmbH	Guarantee	12,000	12,000
UniCredit Bank Austria AG Wien	Crown Gaming S.A.C.	Guarantee	19,024	15,124
Kensington Business Center	Novomatic Americas Sales LLC	Guarantee	1,075	1,075
Nord LB	ADMIRAL Sportwetten GmbH, Deutschland	Guarantee	1,500	1,500
UniCredit S.p.A., Roma	NOVOMATIC Italia S.p.A.	Guarantee	84,278	84,278
Sellergroup ELSY	NOVOMATIC Italia S.p.A.	Guarantee	3,250	3,250
Raiffeisenlandesbank NÖ-Wien	ADMIRAL Sportwetten GmbH	Comfort letter	3,300	0
Raiffeisenlandesbank NÖ-Wien	I-New Unified Mobile Solutions AG	Guarantee	428	428
Barclays Bank PLC	NOVOMATIC UK Ltd.	Comfort letter	11,701	11,701
TOTAL				154,990

b) Off-balance sheet transactions

In 2016, comfort letters were issued to two Austrian subsidiaries.

c) Information regarding the nature of provided physical securities

No physical securities were provided for liabilities in the financial year 2016.

The physical security reported until the financial year 2015 in the Mödling land register, EZ 3184, with a value of KEUR 3,000 was removed in April 2016.

E. Other Financial Obligations

Obligations from current lease contracts comprise:

KEUR	Due within 1 year	Due within 5 years
Obligations from current lease contracts	1,118	5,589
(previous year)	1,120	5,504

III. EXPLANATIONS CONCERNING THE PROFIT AND LOSS ACCOUNT

1. Breakdown of Sales

1.1. By segments:

KEUR	Reporting period	Previous year
Income from trademarks and licenses	59,024	56,748
Provision of personnel	1,137	3,112
Income from rental and operating costs	12,967	14,361
Other income	3,496	4,254
Total	76,624	78,475

1.2. By geographical markets:

KEUR	Reporting period	Previous year
Domestic income	66,533	68,712
International income (EU)	10,091	9,763
Total	76,624	78,475

Due to the amended definition of revenues per the 2014 law amending accounting principles (RÄG), other operating income totaling KEUR 4,254 from the previous year was classified as revenue.

2. Cost of Material and Other Purchased Services

Due to the change in reporting requirements as per the 2014 law amending accounting principles (RÄG), expenses in the previous year of KEUR 1,780 were reclassified from other operating expenses to expenses for purchased services.

3. Personnel costs

Expenses for severance payments and contributions to external severance payment funds include payments to external severance payment funds of KEUR 54 (previous year: KEUR 94).

4. Extraordinary Depreciation

Due to uncertain use following the revocation of the decisions regarding casino licenses, further extraordinary depreciation of KEUR 6,500 (previous year: KEUR 6,290) was recorded for a planned casino location in Vienna during the financial year 2016.

5. Other Operating Expenses

See point 2 on the cost of material and other purchased services regarding the effect of the first-time application of the 2014 law amending accounting principles (RÄG).

6. Taxes on Income

Pursuant to RÄG 2014, 25 percent of the deferred taxes contained in the release of or addition to untaxed reserves previously created pursuant to Sec. 205 of the Austrian Commercial Code (UGB) in the previous year are reported under taxes on income.

Taxes only affect results from ordinary business activities.

NOVOMATIC AG has taken the opportunity of forming a tax group pursuant to Sec. 9 of the Austrian Corporate Income Tax Act (KStG).

Group members are:

- HTM Hotel- und Tourismus Management GmbH, Austria
- Wett Cafe Betriebsgesellschaft m.b.H., Austria (merged with and into HTM as of December 31, 2015)
- ADMIRAL Casinos & Entertainment AG, Austria
- NMN Immo GmbH (formerly NMN Automatentechnik GmbH)
- NOVOMATIC Gaming Industries GmbH, Austria (from 2016)
- ADMIRAL Sportwetten GmbH, Austria (from 2016)
- Novo VLTech GmbH, Austria (from 2016)
- NOVOMATIC Italia S.p.A., Italy

In the tax apportionment contract with the domestic tax group members, negative as well as positive tax apportionments within the tax group were stipulated. The profits allocated by the tax group member to the parent company are, depending on the usability of the losses, to be compensated at 21.5 percent or 25 percent (tax rate pursuant to Sec. 22 para 1 of the Austrian Corporate Income Tax Act [KStG]) by the tax group member. A symmetrical agreement exists for the allocated losses, whereby losses that cannot be allocated are to be credited as "internal tax loss carried forward" at 21.5 percent of the assessment basis if they are usable.

No tax apportionment contracts were concluded with the foreign group members.

Taxes on income is broken down specifically as follows:

KEUR	
Corporate income tax expense in 2016	14
Corporate income tax expense in previous years	8
Corporate income tax expense for deferred taxes	-2,420
Foreign withholding tax expense	50
Expense from tax apportionment "tax group" previous years	24
Income from tax apportionment "tax group"	-4,615
Total	-6,939

7. Release and Allocation of Retained Earnings

Pursuant to RÄG 2014, 75 percent of the funds allocated to or released from the untaxed reserves previously created pursuant to Sec. 205 of the Austrian Commercial Code (UGB) in the previous year are reported under release of retained earnings.

IV. INFORMATION ON SIGNIFICANT INVESTMENTS

Company, domicile	Share	Book value as of 12/31/2016	Equity	Annual result
		EUR	EUR	EUR
NOVOMATIC Italia SpA, Rimini (I)	100 %	301,580,000	254,294,594	19,312,161
ADMIRAL Casinos & Entertainment AG (AT)	100 %	65,000,000	42,775,782	-2,790,361
NOVOMATIC Gaming Industries GmbH, Gumpoldskirchen (AT)	100 %	264,304,397	965,056,483	104,329,088
HTM Hotel- und Tourismus Management GmbH, Gumpoldskirchen (AT)	100 %	1,072,607	62,899,734	4,567,348
NMN Immo GmbH (AT)	99 %	1,610,000	1,628,033	573,864
Novomatic Investment Chile S.A., Santiago (CL)	100 %	1,344,421	3,410,619	9,953,911
Novo Immobilien GmbH, Bingen/Rhein (DE)	100 %	3,000,000	18,582,681	2,599,815
Norddeutsche Spielbanken GmbH (DE)	100 %	25,000	20,021	-440
Novomatic Americas Holdings Inc., Illinois (US)	100 %	21,384,591	32,029,423	-200,350
Spielbank Berlin G.Jaenecke GmbH & Co.KG (DE)	59.5 %	8,619,917	12,839,351	1,035,642
Spielbank Berlin Entertainment GmbH & Co.KG (DE)	60 %	48,840	-2,606,685	593,653
Spielbank Berlin nat.Beteiligungsges mbH & Co.KG (DE)	100 %	5,338,002	4,660,109	-90,476
I-New Unified Mobile Solutions AG (AT)	76.814 %	12,586,735	-1,409,882	2,367,128
Novomatic Lottery Solutions GmbH (AT)	100 %	59,000,000	44,127,182	-9,916,097
Novo Lottery Solutions Iceland hf (IS)	0.24 %	245.56	19,865,240	36,601
SIM Spielbanken Investitions- und Management GmbH, Frankfurt (DE)	100 %	25,619	44,161	24,095
SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & Co.KG, Frankfurt (DE)	100 %	6,914,017	7,420,650	491,658
RSV Beteiligungs GmbH (AT)	100 %	72,330,974	4,006,895	3,474,574
LTB Beteiligungs GmbH (AT)	33.33 %	23,937,945	551,873	3,475,420
Pratergarage Errichtungs- und Betriebsgesellschaft m.b.H. (AT)	47.5 %	237,500	381,843	-24,046

Statements concerning intragroup relationships are omitted in accordance with Sec. 242 para 3 of the Austrian Commercial Code (UGB).

The equity and annual results presented are preliminary values determined in accordance with applicable local law.

V. INFORMATION ON FINANCIAL INSTRUMENTS

On October 16, 2015, an interest rate swap with a nominal value of KEUR 77,500 and maturity date of October 8, 2020, was concluded. Its net present value, including interest, amounts to KEUR -926 as of December 31, 2016.

The market value corresponds to the value that would be received or paid if the contract was settled as of the balance sheet date. Past cash flows (interest payments) are not taken into consideration. Future cash flows from variable payments as well as discount rates are determined based on generally accepted financial mathematical models. The negative market values are recorded in the other provisions for impending losses.

VI. MANDATORY INFORMATION CONCERNING MANAGEMENT BODIES AND EMPLOYEES

1.1. Average Number of Employees during the Financial Year

Number of employees: 13 (previous year: 75)

1.2. Members of the Executive Board and the Supervisory Board during the Financial Year

Executive Board:

- Harald Neumann, Chairman, CEO
- Ryszard Presch, Deputy Chairman, COO
- Peter Stein, CFO
- Thomas Graf, CTO
- Dr. Christian Widhalm, CIO (since March 8, 2016)

Supervisory Board:

- Senator Herbert Lugmayr, Chairman (until March 28, 2017)
- Dr. Bernd Oswald, Chairman (from March 28, 2017)
- Dr. Christian Widhalm, Deputy Chairman (until March 8, 2016)
- Barbara Feldmann, member (since March 8, 2016)
- Martina Kurz, member (since March 8, 2016)
- Martina Flitsch, Deputy Chairman (since March 8, 2016)
- Dr. Robert Hofians, member (from March 28, 2017)

1.3. Other Information

During the financial year 2016, gross payments of EUR 4,977,374.27 were made to members of the Executive Board. No advances, loans or guarantees were granted to members of the Executive Board. Payments made to members of the Supervisory Board during the year under review amounted to EUR 21,333.00.

Expenses for severance payments and pensions for the members of the Executive Board amounted to EUR 1,076,216.52 and EUR 798,729.00, respectively.

1.4 Consolidated Financial Statement

NOVOMATIC AG is required by law to prepare and disclose a subgroup consolidated financial statement according to Sec. 246 para 3 of the Austrian Commercial Code (UGB). The financial statement for the subgroup NOVOMATIC AG is included in the consolidated financial statement of Novo Invest GmbH with its registered office in Gumpoldskirchen – as head of the Group – and is filed at the Regional Court of Wiener Neustadt under FN 381832v.

1.5 Audit Fees

Fees for the audit of the financial statement and expenses for other services of the auditor are presented in the subgroup consolidated financial statement of NOVOMATIC AG.

1.6 Appropriation of Earnings

An amount totaling KEUR 50,000 is to be appropriated from the balance sheet profit of KEUR 111,172 comprising profit of the financial year 2016 amounting to KEUR 9,258 and profit carried forward of KEUR 101,914. The remaining amount of KEUR 61,172 is to be carried forward.

1.7 Subsequent Events after the Balance Sheet Date

In January 2017, NOVOMATIC Gaming Industries GmbH (NGI), a subsidiary of NOVOMATIC AG, acquired majority stakes in four Polish companies (including two further Polish subsidiaries). Even before the share acquisition, the business purpose of the companies acquired in the course of this transaction, ATSI S.A. and Fortress Gaming Technologies S.A., was on development and programming activities for NGI. ATT S.A. generates income primarily from the acquisition, general overhaul and re-sale of used gaming devices. The fourth acquired company, Novo Poland Sp.z.o.o. is a holding company with a subsidiary that operates four smaller casinos in Poland. Gryphon Invest AG, a company related to NOVOMATIC AG, was the company selling the investments. The consideration for the entire transaction amounted to EUR 67.2 million.

In February 2016, NOVOMATIC entered into a purchase agreement with Len Ainsworth regarding the acquisition of approximately 53 percent of the shares of Ainsworth Game Technology Ltd. (Ainsworth). Ainsworth is a publicly traded company listed in Australia and headquartered in Newington, Sydney. The company is one of the most renowned players in the international gaming industry. The company is a leading producer and provider of high-quality, innovative gaming solutions in Australasia as well as North and South America. Due to suspensive conditions, in particular, the required formal approvals by various international licensing and regulatory authorities, the closing of this transaction is not expected until the third quarter of 2017 at the earliest. The agreed purchase price is AUD 473.3 million.

In March 2017, NOVOMATIC Gaming Industries GmbH, a subsidiary of NOVOMATIC AG, acquired 100 % of the shares in Casino Royal GmbH, Germany. The acquired company and its 10 subsidiaries operate a total of 126 gaming halls with a regional focus on North Rhine-Westphalia, Lower Saxony and Rhineland-Palatinate. The preliminary consideration for the entire transaction amounted to EUR 88.7 million.

In March 2017, NOVOMATIC AG concluded a revolving credit line of EUR 1 billion with a seven-year term. This credit line serves to harmonize and refinance the existing credit lines, which will fall due in 2018 and 2020, as well as for general company financing purposes, including company acquisitions.

VII. SPECIAL INFORMATION FOR STOCK CORPORATIONS

The share capital of EUR 26,590,000.00 is fully paid up and divided into 26,590,000 registered no-par value shares. The nominal value per share amounts to EUR 1.00.

Gumpoldskirchen, March 31, 2017

NOVOMATIC AG



Harald Neumann
Chairman,
Chief Executive Officer, CEO



Ryszard Presch
Deputy Chairman,
Chief Operating Officer, COO



Thomas Graf
Chief Technology Officer, CTO



Peter Stein
Chief Financial Officer, CFO



Dr. Christian Widhalm
Chief Investment Officer, CIO

NOVOMATIC AG

Fixed Assets

as of December 31, 2016

EUR	Development at cost of acquisition and production					Balance as of 12/31/2016
	Balance as of 1/1/2016	Additions	Transfers	Reallocation	Disposals	
A. FIXED ASSETS						
I. Intangible assets						
1. Industrial and similar rights and assets and licenses in such rights and assets						
Rights	12,465,172.03	6,000.00	0.00	0.00	16,000.00	12,455,172.03
Technical software	123,400,219.21	0.00	0.00	0.00	0.00	123,400,219.21
Software	283,715.98	0.00	0.00	0.00	1,767.50	281,948.48
Advance payments	0.00	0.00	0.00	0.00	0.00	0.00
	136,149,107.22	6,000.00	0.00	0.00	17,767.50	136,137,339.72
II. Property, plant and equipment						
1. Land, buildings and improvements to third-party buildings						
Land	9,293,159.41	0.00	0.00	0.00	0.00	9,293,159.41
Buildings – real estate value	32,587,761.44	0.00	0.00	0.00	423,705.37	32,164,056.07
Buildings – value of building	138,770,416.68	600,751.88	931,571.88	0.00	5,955,075.30	134,347,665.14
Structural investments in leased property	2,796,160.66	0.00	0.00	0.00	0.00	2,796,160.66
Buildings on non-owned land	24,742,062.68	0.00	0.00	0.00	0.00	24,742,062.68
	208,189,560.87	600,751.88	931,571.88	0.00	6,378,780.67	203,343,103.96
2. Plant and machinery						
Plant and machinery	212,930.38	0.00	0.00	0.00	0.00	212,930.38
Tools and tool costs	0.00	0.00	0.00	0.00	0.00	0.00
	212,930.38	0.00	0.00	0.00	0.00	212,930.38
3. Office fixtures, fittings and equipment						
Office fixtures, fittings and equipment	5,162,890.76	43,611.59	3,271.80	0.00	380,524.75	4,829,249.40
Car pool	1,444,752.55	186,200.00	0.00	0.00	0.00	1,630,952.55
Low-value assets	78,095.88	680.90	0.00	0.00	35,755.36	43,021.42
	6,685,739.19	230,492.49	3,271.80	0.00	416,280.11	6,503,223.37
4. Prepayments and assets under construction						
Plants under construction	6,812,488.60	457,429.84	-934,843.68	0.00	0.00	6,335,074.76
	6,812,488.60	457,429.84	-934,843.68	0.00	0.00	6,335,074.76
	221,900,719.04	1,288,674.21	0.00	0.00	6,795,060.78	216,394,332.47
III. Financial Assets						
1. Shares in affiliated companies						
	774,081,700.34	191,323,217.45	-23,937,944.55	0.00	106,324,009.93	835,142,963.31
2. Loans to affiliated companies						
	266,883,311.56	169,571,003.31	0.00	0.00	103,939,035.08	332,515,279.79
3. Investments						
	475,000.00	0.00	23,937,944.55	0.00	0.00	24,412,944.55
4. Loans to associated companies						
	844,039.29	78,565.96	0.00	0.00	0.00	922,605.25
5. Securities held as fixed assets						
	13,749,549.33	87,748,701.44	0.00	0.00	0.00	101,498,250.77
6. Other loans						
	23,554,064.35	561,105.87	0.00	0.00	3,638,880.51	20,476,289.71
	1,079,587,664.87	449,282,594.03	0.00	0.00	213,901,925.52	1,314,968,333.38
TOTAL FIXED ASSETS	1,437,637,491.13	450,577,268.24	0.00	0.00	220,714,753.80	1,667,500,005.57

Development of Amortization/Depreciation							Book Values		
Balance as of 1/1/2016	Additions	thereof extraordinary depreciation	Transfers	Reallocation	Disposals	Write-ups	Balance as of 12/31/2016	Balance as of 12/31/2015	Balance as of 12/31/2016
10,653,752.58	1,223,903.53	563,510.89	0.00	0.00	16,000.00	0.00	11,861,656.11	1,811,419.45	593,515.92
101,942,232.80	11,582,311.17		0.00	0.00	0.00	0.00	113,524,543.97	21,457,986.41	9,875,675.24
270,942.87	6,503.98		0.00	0.00	1,767.50	0.00	275,679.35	12,773.11	6,269.13
0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
112,866,928.25	12,812,718.68	563,510.89	0.00	0.00	17,767.50	0.00	125,661,879.43	23,282,178.97	10,475,460.29
0.30	0.00		0.00	0.00	0.00	0.00	0.30	9,293,159.11	9,293,159.11
4,155,198.48	531,985.39		0.00	0.00	197,643.30	0.00	4,489,540.57	28,432,562.96	27,674,515.50
41,171,931.68	4,722,172.34		0.00	0.00	3,464,924.44	0.00	42,429,179.58	97,598,485.00	91,918,485.56
2,758,209.52	31,957.80		0.00	0.00	0.00	0.00	2,790,167.32	37,951.14	5,993.34
15,126,506.64	6,592,757.45	5,936,489.11	0.00	0.00	0.00	0.00	21,719,264.09	9,615,556.04	3,022,798.59
63,211,846.62	11,878,872.98	5,936,489.11	0.00	0.00	3,662,567.74	0.00	71,428,151.86	144,977,714.25	131,914,952.10
117,304.91	11,890.67		0.00	0.00	0.00	0.00	129,195.58	95,625.47	83,734.80
0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
117,304.91	11,890.67		0.00	0.00	0.00	0.00	129,195.58	95,625.47	83,734.80
4,295,685.11	254,350.00		0.00	0.00	309,541.66	0.00	4,240,493.45	867,205.65	588,755.95
476,793.12	8,000.00		0.00	0.00	0.00	0.00	484,793.12	967,959.43	1,146,159.43
57,568.70	9,679.70		0.00	0.00	35,755.36	0.00	31,493.04	20,527.18	11,528.38
4,830,046.93	272,029.70	0.00	0.00	0.00	345,297.02	0.00	4,756,779.61	1,855,692.26	1,746,443.76
6,290,171.84	0.00		0.00	0.00	0.00	0.00	6,290,171.84	522,316.76	44,902.92
6,290,171.84	0.00	0.00	0.00	0.00	0.00	0.00	6,290,171.84	522,316.76	44,902.92
74,449,370.30	12,162,793.35	5,936,489.11	0.00	0.00	4,007,864.76	0.00	82,604,298.89	147,451,348.74	133,790,033.58
11,712,231.65	1,009,219.33		0.00	0.00	1,700,860.51	62,991.00	10,957,599.47	762,369,468.69	824,185,363.84
1,950,000.00	0.00		0.00	0.00	1,950,000.00	0.00	0.00	264,933,311.56	332,515,279.79
237,500.00	0.00		0.00	0.00	0.00	0.00	237,500.00	237,500.00	24,175,444.55
422,019.67	39,282.98		0.00	0.00	0.00	0.00	461,302.65	422,019.62	461,302.60
1,488,168.80	100,905.00		0.00	0.00	0.00	146.95	1,588,926.85	12,261,380.53	99,909,323.92
15,387,208.44	0.00		0.00	0.00	0.00	0.00	15,387,208.44	8,166,855.91	5,089,081.27
31,197,128.56	1,149,407.31	0.00	0.00	0.00	3,650,860.51	63,137.95	28,632,537.41	1,048,390,536.31	1,286,335,795.97
218,513,427.11	26,124,919.34	6,500,000.00	0.00	0.00	7,676,492.77	63,137.95	236,898,715.73	1,219,124,064.02	1,430,601,289.84

NOVOMATIC AG

Provisions

as of December 31, 2016

EUR

PROVISIONS	Balance as of 1/1/2016	Consumption	Release	Allocation	Balance as of 31/12/2016
1. Provisions for severance payments					
Provision for severance payments	778,857.00	0.00	0.00	1,047,880.00	1,826,737.00
2. Provisions for pensions					
Provision for pensions	6,813,647.00	0.00	0.00	798,729.00	7,612,376.00
3. Provisions for taxes					
Provision for corporate income tax	1,747,902.19	1,747,902.19	0.00	0.00	0.00
4. Other provisions					
Provisions for auditing and consulting fees	379,600.00	350,938.82	9,661.18	513,453.00	532,453.00
Provisions for damage cases	0.00	0.00	0.00	100,000.00	100,000.00
Provision for unconsumed vacation	461,919.75	461,919.75	0.00	1,054,751.99	1,054,751.99
Other provisions for personnel	3,980,000.00	3,634,186.93	345,813.07	4,137,000.00	4,137,000.00
Provision for jubilee payments	49,553.00	0.00	0.00	28,193.00	77,746.00
Other provisions	228,055.61	116,696.00	0.00	889,583.98	1,000,943.59
	5,099,128.36	4,563,741.50	355,474.25	6,722,981.97	6,902,894.58
TOTAL PROVISIONS	14,439,534.55	6,311,643.69	355,474.25	8,569,590.97	16,342,007.58

NOVOMATIC AG

Auditor's Report

Report on the Financial Statements

Opinion

We have audited the financial statements of NOVOMATIC AG, Gumpoldskirchen, which comprise the statement of financial position as at December 31, 2016, the statement of profit and loss and notes to the financial statements.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position as at December 31, 2016 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

We conducted our audit in accordance with the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of the investments in RSV Beteiligungs GmbH and LTB Beteiligungs GmbH

Description and Issue

The book values of the investments in RSV Beteiligungs GmbH and LTB Beteiligungs GmbH, measured at EUR 72.3 Mio and EUR 23.9 Mio respectively, are contrasted with an equity of EUR 4.0 Mio and an equity share of EUR 0.2 Mio. For details on this comparison, we refer to the schedule of investments in the notes to the financial statements. These entities have an indirect shareholding in Österreichischen Lotterien Gesellschaft mbH (ÖLG) amounting to 11.56 %. As its subsidiaries and the lower-tier subsidiaries do not have any significant assets or liabilities, the determination as to whether these investments are impaired is in all material respects determined by the valuation of ÖLG.

As such, the Company performed an impairment review of the investment in ÖLG. A multiples-based model was used in this review. For this purpose, industry-specific multiples were derived from international entities in the lottery industry. The selection of these entities, as well as the necessary adjustments included the model, such as valuation adjustments, are subjected to uncertainties related to estimations and judgments, which have considerable influence on the results of the valuation. For further explanations we refer to Section 11 "Valuation of Financial Instruments" in the notes to the consolidated financial statements.

Our Response

We evaluated the appropriateness of the valuation model with the involvement of our internal valuation specialists, examined the appropriateness of the entities from which the industry-specific multiples were derived, reperformed the calculations of the multiples, and agreed the other financial information used in the valuation with the published financial statements of ÖLG. In regards to the adjustments in valuation, we have examined as to whether these adjustments have been consistently applied over the periods in which the investments were held.

Other Information

Management is responsible for the other information. The other information contain all information in the annual report but does not include the financial statements, the management report and our auditor's report thereon. The annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The scope of the audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the management has conducted or will conduct the affairs of the Company.

As part of an audit in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that give a true and fair view.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of 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 whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

Opinion

In our opinion, the management report are prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to section 243a UGB and is consistent with the financial statements.

Statement

In the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the management report.

Engagement Partner

The engagement partner responsible for the audit is Dr. Christoph Waldeck.

Vienna, March 31, 2017

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Christoph Waldeck
Certified Public Accountant

ppa. Mag. Barbara Müllner
Certified Public Accountant

This English translation of the audit report was prepared for the client's convenience only. It is not a legally binding translation of the German audit report.

The consolidated financial statements and our auditor's report may be published or transmitted together only if the consolidated financial statements and the management report are identical with the confirmed version. Section 281 para 2 Austrian Commercial Code applies to versions that differ.

NOVOMATIC AG

Report of the Supervisory Board

for the fiscal year 2016



In its four meetings held during the course of financial year 2016, the Supervisory Board was regularly informed by the Executive Board on the business policy and dealt thoroughly with business developments and the position of the company. In addition, the Audit Committee heard reports from the Executive Board and the auditor during the two meetings.

The annual financial statements of December 31, 2016, and the Management Report of the Executive Board, to the extent that it explains the annual financial statements, have been examined with regard to accounting by Deloitte Audit Wirtschaftsprüfungs GmbH, which was appointed as auditor by the Annual General Meeting and has been charged with providing an unqualified audit opinion.

The examination of the annual financial statements by the Supervisory Board did not give rise to any objections. The Supervisory Board agrees with the proposal of the Executive Board regarding the use of the net profits from 2016.

The annual financial statements drawn up by the Executive Board were approved by the Supervisory Board and hence adopted in accordance with the Aktiengesetz (AktG – Austrian Stock Corporation Act).

The Supervisory Board acknowledges and thanks the Executive Board and all employees of NOVOMATIC AG's companies for their work during the financial year of 2016.

Gumpoldskirchen, March 2017

The Supervisory Board

Dr. Bernd Oswald


Chairman


Space for Notes

A large area of horizontal dashed lines for writing notes, occupying the majority of the page below the title.

Imprint

Symbols used in this report

 Reference to an indicator according to the Global Reporting Initiative, 4.0, Level core

 Reference to further information or crossreferences within the report

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

We have prepared this report with the utmost care and have checked the data therein. Nevertheless, errors arising from rounding, typesetting or printing cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

This report includes forward-looking statements based on information currently available to us. These forward-looking statements are usually identified by expressions such as "expect", "estimate", "plan", "calculate", etc. Please note that various factors could cause actual circumstances – and therefore also actual results – to deviate from the expectations outlined in this report. Statements referring to people apply to both men and women.

This annual report is available in German. In the event of disputes, the German version shall take precedence.

Owner, editor and publisher

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