

# NOVOMATIC

Interim Financial Report as of June 30, 2015

## Overview of Key Figures

EUR m *	01 - 06/2015	01 - 06/2014	million	Change %
Revenues *	988.2	940.9	+47.3	+5.0%
EBITDA *	290.8	289.1	+1.7	+0.6%
Operating profit (EBIT) *	161.8	165.1	-3.3	-2.0%
Profit for the period *	103.5	104.0	-0.5	-0.5%
EBITDA margin (EBITDA/revenues)	29.4%	30.7%		
Free cash flow *	32.4	8.6	+23.8	+278.2%

EUR m *	6/30/2015	12/31/2014	million	Change %
Balance sheet total *	2,621.9	2,634.4 <sup>1</sup>	-12.5	-0.5%
Equity *	1,135.7	1,174.3 <sup>1</sup>	-38.6	-3.3%
Equity capital ratio (equity capital/balance sheet total)	43.3%	44.6%		
Number of employees (average)	18,594	17,984		+3.4%

<sup>1</sup> Adjustment of previous years' figures as per IFRS 3 „Business combinations“

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# Consolidated Management Report

## 1. Purpose of the Business and Strategy

NOVOMATIC<sup>1</sup> is a globally operating, integrated gaming technology and entertainment group with 35 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, produces and sells gaming products, lottery technology solutions and networked system solutions for national and international gaming and betting markets. NOVOMATIC furthermore operates almost 1,300 gaming facilities worldwide, including casinos, automated casinos and sports betting outlets.

In addition to developing gaming equipment, the NOVOMATIC Group has established itself as a games 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.

This 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 target-oriented manner.

## 2. Economic Conditions

In its updated forecast for 2015, the International Monetary Fund (IMF) stated that it expects the world economy to grow by 3.3 %<sup>2</sup>. As in the previous years, the expansion of the global economy therefore remains below its long-term trend.

An increasing divergence in the economic developments worldwide is becoming apparent. While growth in the major developed countries is finally strengthening again, the macroeconomic dynamic of many emerging markets has decreased significantly, and their growth edge over the developed countries has shrunk.

For the emerging market economies, the IMF expects the gross domestic product (GDP) to grow by 4.2 %. Apart from China, which in 2015 for the first time in many years will experience growth of less than 7.0 %, this dynamic is in particular fueled by the Russian and Brazilian economies which have slid into a recession.

According to the IMF, the major developed countries should be able to increase their gross domestic product by 2.1 %. One of the main contributors to this development is the United States, where GDP is expected to grow by 2.5 %. Despite the Greek crisis, the Eurozone also seems to be returning to a path towards expansion. Led by Germany, the region is expected to grow its GDP by 1.5 % in 2015.

In its current forecast for the domestic economy, the Austrian Institute of Economic Research (WIFO) projects a continuation of the weakness experienced during the past three years. For 2015, it expects an economic growth of 0.5 %. Apart from missing momentum from the world economy, domestic factors are contributing significantly to the sustained economic weakness.

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

<sup>2</sup> According to the World Economic Outlook provided by the International Monetary Fund (IMF), Forecast 07/2015

### Significant Events during the First Half of 2015

#### Concessions

In 2015, ADMIRAL Casinos & Entertainment AG, a NOVOMATIC Group company, was awarded concessions for state-licensed machine gaming in further Austrian federal states. The granted licenses authorize the company to operate 337 gaming machines in the Federal State of Styria, as well as 259 gaming machines in the Federal State of Carinthia. At the time of preparation of this management report, the licensing decisions had not yet taken legal effect.

On December 31, 2014, all gaming devices operated by the NOVOMATIC Group in Vienna were decommissioned due to a change in the state laws on gaming. The NOVOMATIC Group's companies with concessions in Vienna submitted an individual request to the Constitutional Court, in order to review the constitutionality of the new legal provisions regarding state-regulated gaming in Vienna. With its decision dated April 2, 2015, the Constitutional Court rejected this request and confirmed that the provisions of the Gaming Act are not unconstitutional.

#### Acquisitions and Disposals of Interests in Companies

In June of 2015, NOVOMATIC AG acquired 100 % of the shares of BAIH Beteiligungsverwaltungs GmbH. The company holds an indirect interest of 7.94 % in Österreichische Lotterien Gesellschaft mbH. With this financial investment, NOVOMATIC intends to support Österreichische Lotterien GmbH as a sustainable and stable domestic co-shareholder.

During the reporting period, NOVOMATIC acquired several smaller German companies with business activities focused on the operation of gaming facilities. With these acquisitions, the Group is strengthening its market position in one of Europe's largest gaming markets.

In May of 2015, NOVOMATIC sold all its shares in the Slovenian company Novo Investicije d.o.o. as well as its five Slovenian subsidiaries and sub-subsidiaries for Group-strategic reasons.

#### Bond

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

## Earnings Position

In the first half of 2015, the NOVOMATIC Group's sales revenue was EUR 988.2 million, compared to EUR 940.9 million in the same period during 2014. The largest increase in revenues was achieved in the area of sales revenues, as these were increased by 12.3 %. This development was in large parts achieved thanks to the acquisition of GIGAMES S.L., a Spanish production and sales company for gaming devices, which was acquired in December of 2014. Significant increases in revenues were also achieved regarding rental revenues, gaming machine revenues and e-business revenues.

The cumulated other operating income increased by EUR 28.8 million over the same period of the year 2014. This was mainly due to higher own work capitalized and increased other operating income.

Material expenditures increased during the first half of the year, due to increased sales volumes. During the first half of the year, personnel expenses within the NOVOMATIC Group amounted to EUR 274.3 million, compared to EUR 243.2 million during the previous year. The increase is due to the numerous acquisitions recently carried out.

The other operating expenses (including gaming taxes) increased to EUR 425.8 million, thus rising by 9.8 % over the previous year's level. The increases are mainly related to the expansion of business activities and are in large parts the result of items such as rental, lease and operating expenses, as well as gaming taxes and betting fees.

Earnings before interest, taxes, and depreciations and amortizations (EBITDA) for the first half of 2015 came in at EUR 290.8 million, which is EUR 1.7 million above the result achieved in the first half of 2014. At EUR 161.8 million, the operating profit was largely unchanged against the previous year. Slightly higher depreciations and amortizations resulted in a minor decline by 2.0 %.

The financial result improved by EUR 7.1 million during the reporting period, due to lower financial expenses. The earnings before taxes improved to EUR 151.1 million during the reporting period. This corresponds to an increase of EUR 3.8 million. After taking income tax amounting to EUR 47.6 million into consideration, the Group was able to record a profit for the period of EUR 103.5 million for the first half of 2015, compared to EUR 104.0 million for the previous year.

## Assets Position

The balance sheet total decreased slightly against December 31, 2014 by EUR 12.5 million to EUR 2,621.9 million. The largest increases on the asset side of the balance sheet are related to intangible assets and financial assets. The main reason for the lower balance sheet total, however, is the reduction in bank balances due to the repayment of the bond maturing in January of 2015.

On the other side of the balance sheet, equity decreased slightly by 3.3 %. The main changes were related to financial liabilities. While the current financial liabilities decreased by EUR 187.9 million due to the redemption of the bond, the non-current financial liabilities increased by EUR 168.8 million due to an increased usage of credit lines.

## Financial Situation

Across the Group, in the first half of 2015, cash flow from operating activities increased to EUR 199.1 million in comparison to EUR 183.9 million in the previous year. The previous year's cash-effective release of a provision (related to the Italian Group company Admiral Gaming Network S.r.l.), which had led to a negative impact on the cash flow, no longer applied during the current financial year, resulting in a positive deviation.

The cash flow from investment activities improved from EUR -175.3 million in the previous year to EUR -166.7 million during the reporting period. The item "Acquisition of consolidated companies, net of cash" improved by EUR 72.0 million, while an increase in financial assets and other financial investments in the amount of EUR 54.4 million reduced the cash flow from investment activities.

Due to the redemption of a bond in January of 2015, the cash flow from financing activities came in clearly negative at EUR -207.1 million. The free cash flow increased from EUR 8.6 million during the previous year to EUR 32.4 million.

## 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 distribution of gaming equipment. It also includes the sales channel "Online", as far as it refers to the B2B sector.

The Gaming Operations segment includes the area of gaming facilities, including sports betting outlets, as well as the sales channel "Online", as far as it refers to the B2C sector.

The Other segment comprises 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

During the reporting period, the external revenues in the Gaming Technology segment amounted to EUR 418.6 million. This represents an increase by EUR 25.4 million over the previous year. The increase is mainly due to GIGAMES S.L., a Spanish production and sales company for gaming devices that NOVOMATIC acquired in December of 2014.

In the core market Germany, the number of rented gaming devices declined slightly due to the regulatory changes. It can be expected that in the future the number of rented gaming devices in Germany will continue to decrease.

In Italy, an increase in the number of gaming devices rented out was achieved in the first half of 2015, and the average income performance of the devices was also improved against the previous year.

### Gaming Operations

The external revenues in the Gaming Operations segment amounted to EUR 562.1 million in the reporting period, representing a further increase in comparison to the previous year (EUR 539.5 million). During the first half of 2015, the expansion of gaming operations was continued. As of June 30, 2015, the number of locations operated by NOVOMATIC had been increased to almost 1,300.

In the Austrian core market, both revenues and income declined significantly due to the changes to the regulatory framework in the federal capital. As the Federal Administrative Court revoked the licenses for the operation of casinos according to § 21 of the Austrian Gaming Act in 2015 (for the locations Vienna North-East and Lower Austria), it is not expected that this decline will be offset in the short term.

The Group's German gaming operations were able to successfully maintain their excellent market position during the first half of 2015. In particular Extra Games Entertainment GmbH, which focuses on the area of commercial machine gaming, was able to achieve a positive revenue development despite the difficult market environment.

The NOVOMATIC Group's Italian gaming operations were able to increase both the number of own locations and the number of gaming devices operated during the first six months of the current financial year, thereby contributing significantly to the increase in revenues.

The companies of the Greentube Group that are active in the B2C area continued their positive business development. In particular the most recently acquired companies were able to make a significant contribution to the increase in e-business income.

### Other

I-New Unified Mobile Solutions AG, headquartered in Mattersburg, is one of the leading global providers for mobile virtual network operators (MVNO). With its subsidiaries, which are mainly based in Latin America, the I-New Group was able to achieve a stable revenue development.

## 5. Non-financial Performance Indicators – Employee Issues

As of June 30, 2015, 18,880 individuals were employed by the NOVOMATIC Group (headcount as of the balance sheet date). Compared to the end of the year 2014, this corresponds to an increase in the number of employees by 587. This rise is mainly due to the expansion in current and new markets.

The composition of employees is balanced and includes a high number of women working at all levels and a large number of individuals of different nationalities. All age groups are well represented.

## 6. Significant Events after the End of the Interim Reporting Period

In June of 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 licenses granted to NOVOMATIC for the locations Vienna North-East (Prater) and Lower Austria (Bruck an der Leitha) were revoked by the Federal Administrative Court in July of 2015.

After the end of the reporting period, NOVOMATIC signed purchase agreements on the acquisition of an indirect share in Österreichische Lotterien Gesellschaft mbH. At the time of preparation of this management report, NOVOMATIC held an indirect share of approximately 18 % in Österreichische Lotterien Gesellschaft mbH.

During the year 2015, NOVOMATIC furthermore submitted binding offers for the acquisition of direct and indirect ownership shares in Casinos Austria Aktiengesellschaft, which are subject to the suspensive conditions of various approvals according to public and company law, co-shareholders not exercising their existing pre-emption rights as well as further formal approval requirements. Because of this, the offers had not yet been legally concluded at the time of preparation of this management report.

## 7. Significant Risks and Uncertainties

NOVOMATIC's annual report for the financial year 2014 includes the main risks and uncertainties that could have a considerable negative impact on the NOVOMATIC Group's assets, financial and earnings position and reputation. During the first six months of the financial year 2015, no further significant risks and opportunities beyond the risks and opportunities which are presented in the annual report for the financial year 2014 were identified.

The annual report for the financial year 2014 furthermore includes a detailed description of the structure of the risk management system, as well as the main characteristics of the internal controlling system regarding the accounting process.



# Consolidated Interim Financial Statements

## Consolidated Balance Sheet

EUR m	6/30/2015	12/31/2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible Assets	467.5	438.6 <sup>1</sup>
Property, plant and equipment	806.4	799.0
Investment property	18.7	18.8
Investments in associated companies	0.2	0.2
Financial Assets	85.8	15.1
Deferred tax assets	98.2	96.5
Other non-current assets	117.6	111.1
	<b>1,594.5</b>	<b>1,479.4</b>
<b>Current assets</b>		
Inventories	194.8	179.4
Trade receivables, other receivables and assets	302.1	289.4 <sup>1</sup>
Current tax receivables	37.8	27.9
Current financial assets	35.8	29.0
Cash and cash equivalents	454.5	627.2
Assets held for sale	2.4	2.2
	<b>1,027.3</b>	<b>1,155.0</b>
<b>Total ASSETS</b>	<b>2,621.9</b>	<b>2,634.4</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	26.0	26.0
Capital reserves	1.0	1.0
Retained earnings	1,074.8	1,139.9 <sup>1</sup>
Revaluation reserve	0.4	-9.4
Currency translation adjustment	-12.8	-30.9
	1,089.4	1,126.5
Non-controlling interests	46.3	47.8 <sup>1</sup>
	<b>1,135.7</b>	<b>1,174.3</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	805.3	636.5
Non-current provisions	52.8	53.3
Non-current tax liabilities	19.4	19.3
Deferred tax liabilities	65.0	58.6 <sup>1</sup>
Other non-current liabilities	24.2	21.2
	<b>966.7</b>	<b>788.9</b>
<b>Current liabilities</b>		
Current financial liabilities	82.2	270.1
Current provisions	48.8	42.9
Current tax liabilities	40.0	40.6
Trade payables and other liabilities	348.5	317.6
	<b>519.5</b>	<b>671.2</b>
<b>Total EQUITY AND LIABILITIES</b>	<b>2,621.9</b>	<b>2,634.4</b>

<sup>1</sup> Adjustment of previous years' figures as per IFRS 3 „Business combinations“

## Consolidated Income Statement

EUR m	01 - 06/2015	01 - 06/2014
<b>Revenues</b>	<b>988.2</b>	<b>940.9</b>
Changes in inventories of finished goods and work in progress	15.9	13.5
Own work capitalized	69.9	57.2
Other operating income	55.7	41.9
Cost of material and other purchased services	-138.7	-133.4
Personnel costs	-274.3	-243.2
Amortization and impairment of intangible assets, property, plant and equipment and investment property	-129.0	-124.0
Gaming taxes and betting fees	-89.0	-83.9
Other operating expenses	-336.9	-303.9
<b>Operating profit</b>	<b>161.8</b>	<b>165.1</b>
Share of profit/loss of associated companies	0.0	2.0
Interest income	4.2	4.0
Other financial income	0.3	8.1
Interest expense	-14.9	-18.2
Other financial expenses	-5.1	-10.2
Currency exchange gains / losses from intra-group financing	4.7	-3.7
<b>Financial result</b>	<b>-10.8</b>	<b>-17.8</b>
<b>Earnings before taxes</b>	<b>151.1</b>	<b>147.3</b>
Income taxes	-47.6	-43.3
<b>Profit for the period</b>	<b>103.5</b>	<b>104.0</b>
thereof attributable to non-controlling interests	1.3	0.7
thereof attributable to shareholders of the parent (net profit)	102.2	103.3

## Consolidated Statement of Comprehensive Income

EUR m	01 - 06/2015	01 - 06/2014
<b>Profit for the period</b>	<b>103.5</b>	<b>104.0</b>
<b>Amounts that will be reclassified to income statement in subsequent periods</b>		
Currency translation	18.4	4.6
Market value of financial assets available for sale	13.0	-0.3
Apportionable income tax	-3.2	0.1
<b>Amounts that will not be reclassified to income statement in subsequent periods</b>		
Revaluation of the net defined benefit liability	0.0	0.0
Apportionable income tax	0.0	0.0
<b>Other comprehensive income after taxes</b>	<b>28.3</b>	<b>4.4</b>
<b>Total comprehensive income</b>	<b>131.7</b>	<b>108.4</b>
thereof attributable to non-controlling interests	1.5	1.2
thereof attributable to shareholders of the parent (net profit)	130.2	107.2

**Consolidated Cash Flow Statement**

EUR m	01 - 06/2015	01 - 06/2014
<b>Operating profit</b>	<b>161.8</b>	<b>165.1</b>
Loss (+) / Gain (-) from the disposal of fixed assets	-4.4	-2.4
Depreciation (+) / Appreciation (-) of fixed assets	128.9	122.1
Other non-cash income and expenses	-19.2	-15.9
Interest received and interest-related income	4.5	4.4
Taxes paid	-63.4	-41.1
	<b>208.2</b>	<b>232.3</b>
Increase (-) / Decrease (+) in inventories	-13.5	-11.7
Increase (-) / Decrease (+) in receivables	-23.6	7.9
Increase (+) / Decrease (-) in provisions	3.4	-37.1
Increase (+) / Decrease (-) in liabilities	24.5	-7.5
<b>Cashflow from operating activities</b>	<b>199.1</b>	<b>183.9</b>
Proceeds from the disposal of fixed assets (excluding financial assets)	25.7	12.9
Proceeds from the disposal / repayment of financial assets	2.7	2.5
Proceeds from the sale of consolidated companies, net of cash	29.6	19.1
Acquisition of intangible assets, property, plant and equipment	-144.6	-117.8
Acquisition of financial assets and other financial investments	-56.3	-1.9
Acquisition of consolidated companies, net of cash	-23.8	-95.8
Proceeds from the disposal of associated companies	0.0	5.7
<b>Cashflow from investing activities</b>	<b>-166.7</b>	<b>-175.3</b>
Dividend payments	-155.2	-40.4
Payments from non-controlling interests	0.0	0.0
Expenditures from change in interests in subsidiaries (without change of control)	-0.2	-2.9
Proceeds from issuance of a bond	0.0	198.9
Expenditures from the redemption of bonds	-189.4	-1.7
Expenditures / Proceeds from bank loans and financial liabilities	166.9	-6.8
Interest paid and interest-related expenses	-29.1	-24.3
<b>Cashflow from financing activities</b>	<b>-207.1</b>	<b>122.8</b>
<b>Net change in cash and cash equivalents</b>	<b>-174.7</b>	<b>131.4</b>
Currency translation adjustments	1.9	2.3
Changes in cash and cash equivalents due to changes in scope of consolidation	0.1	0.2
<b>Net change in cash and cash equivalents</b>	<b>-172.7</b>	<b>133.9</b>
Cash and cash equivalents at the beginning of the period	627.2	417.6
Cash and cash equivalents at the end of the period	454.5	551.5
<b>Net change in cash and cash equivalents</b>	<b>-172.7</b>	<b>133.9</b>

## Consolidated Statement of Changes in Equity

EUR m	Shares of shareholders of NOVOMATIC AG					Total	Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment			
<b>As at 1/1/2015</b>	<b>26.0</b>	<b>1.0</b>	<b>1,139.9<sup>1</sup></b>	<b>-9.4</b>	<b>-30.9</b>	<b>1,126.5</b>	<b>47.8<sup>1</sup></b>	<b>1,174.3</b>
1) Total comprehensive income								
Profit for the period	0.0	0.0	102.2	0.0	0.0	102.2	1.3	103.5
Other comprehensive income	0.0	0.0	0.0	9.9	18.1	28.0	0.3	28.3
2) Dividend payments	0.0	0.0	-152.0	0.0	0.0	-152.0	-3.2	-155.2
3) Change in non-controlling interests	0.0	0.0	-1.4	0.0	0.0	-1.4	-0.7	-2.1
4) Changes in the scope of consolidation	0.0	0.0	-11.0	0.0	0.0	-11.0	0.8	-10.2
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
<b>As at 6/30/2015</b>	<b>26.0</b>	<b>1.0</b>	<b>1,074.8</b>	<b>0.4</b>	<b>-12.8</b>	<b>1,089.4</b>	<b>46.3</b>	<b>1,135.7</b>

EUR m	Shares of shareholders of NOVOMATIC AG					Total	Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment			
<b>As at 1/1/2014</b>	<b>26.0</b>	<b>1.0</b>	<b>928.8</b>	<b>-0.5</b>	<b>-32.4</b>	<b>922.9</b>	<b>29.5</b>	<b>952.4</b>
1) Total comprehensive income								
Profit for the period	0.0	0.0	103.3	0.0	0.0	103.3	0.7	104.0
Other comprehensive income	0.0	0.0	0.0	-0.2	4.1	3.9	0.5	4.4
2) Dividend payments	0.0	0.0	-40.0	0.0	0.0	-40.0	-0.4	-40.4
3) Change in non-controlling interests	0.0	0.0	-13.0	0.0	0.0	-13.0	8.1	-4.9
4) Changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	1.7	1.7
5) Obligation from written put options for non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>As at 6/30/2014</b>	<b>26.0</b>	<b>1.0</b>	<b>979.1</b>	<b>-0.7</b>	<b>-28.2</b>	<b>977.1</b>	<b>40.1</b>	<b>1,017.1</b>

<sup>1</sup> Adjustment of previous years' figures as per IFRS 3 „Business combinations“

**Accounting Principles**

The present consolidated interim financial statements of NOVOMATIC AG and its subsidiaries as of June 30, 2015 were compiled in accordance with IAS 34 "Interim Financial Reporting". The accounting and measurement methods used are consistent with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU.

The accounting and valuation methods used in compiling the consolidated interim financial statements are the same as those used in compiling the consolidated financial statements dated December 31, 2014. For more detailed information on the accounting and valuation methods used, please refer to NOVOMATIC AG's consolidated financial statements as of December 31, 2014.

Since January 1, 2015, the NOVOMATIC Group has been applying the improvements to IFRS cycles 2010-2012 and 2011-2013. The application of these revised standards did not have any material impact on the interim consolidated financial statements.

The consolidated interim financial statements are compiled in Euros (EUR). All amounts are, if not stated otherwise, shown in million Euro (EUR m).

## Scope of Consolidation

The following companies were included in the consolidation scope of the interim financial statements for the first time:

- Euromat S.r.l, Italy
- Novomatic Americas Investments Inc., USA
- Admiral Casinos S.A., Spain
- Casino Entertainment GmbH & Co. KG, Germany
- Conrad Spielautomaten GmbH, Germany
- Domino-Automaten-Betriebs-GmbH, Germany
- HP Automatenbetriebs GmbH, Germany
- Play-Point Spielhallen- und Automatenbetriebsgesellschaft m.b.H., Germany
- Astra Games Ltd., United Kingdom
- Greentube (Gibraltar) Ltd, Gibraltar
- AbZorba Games Betriebsges.m.b.H., Austria
- AbZorba Games LLC, USA
- Greentube Canada Interactive Entertainment Corp., Canada
- Bluebat Games Inc., Canada
- Stakelogic B.V., Netherlands

As a result, the scope of consolidation developed as follows:

Scope of Consolidation	fully consolidated	valued at equity	Joint activity
As at 1/1/2015	178	1	1
First time inclusion in 2015	15	0	0
Disposed of in 2015	-10	0	0
Merged in 2015	-4	0	0
Switched from at-equity valuation to fully consolidated in 2015	0	0	0
As at 6/30/2015	179	1	1
thereof non-Austrian companies	158	0	1

In Italy and the Netherlands subsidiaries were merged.

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

### Germany

On January 15, 2015, Extra Games Entertainment GmbH, Germany, acquired 100 % of the shares of Domino Automaten Betriebs GmbH, an operator of nine gaming facilities at eight locations. On January 28, 2015, the company furthermore acquired 100 % of the limited partner's shares of Casino Entertainment GmbH & Co KG, Germany, which operates 13 gaming facilities.

In March of 2015, BPA Freizeit- & Unterhaltungsbetriebe GmbH, Germany, acquired three gaming facilities with business operations through an asset deal.

On April 21, 2015, Extra Games Entertainment GmbH, Germany, acquired 100 % of the shares of HP Automatenbetriebs GmbH, Germany, which operates 88 restaurant locations. On May 4, 2015, the company furthermore acquired 100 % of the shares of Play Point Spielhallen- und Automatenbetriebsgesellschaft m.b.H., an operator of six gaming facilities, and on May 19, 2015 100 % of the shares of Conrad Spielautomaten GmbH, an operator of 14 gaming facilities.

These acquisitions were carried out in order to enhance the Group's presence as an operator within the German gaming market.

### Italy

On January 23, 2015, Novomatic Italia S.p.A., Italy, acquired 60 % of the shares of Euromat S.r.l., Italy. The subject of the transaction includes the operation of a gaming facility and the business of operating AWP devices in bars and automated casinos. For the remaining shares, representing a non-controlling stake of 40 %, a written put option was granted; the resulting obligation is included in the consolidated interim financial statements as a liability. The acquisition enhances the Group's market position in the Italian market for machine placement.

### Canada

On January 30, 2015, Greentube Internet Entertainment Solutions GmbH, Austria, acquired 70 % of the shares of Bluebat Games Inc., Canada, through a newly established subsidiary. The acquired company's business focuses on software development for social games. For the remaining shares, representing a non-controlling stake of 30 %, a written put option was granted; the resulting obligation is included in the consolidated interim financial statements as a liability. With this acquisition, the Group enhances its activities in the area of online gaming.

### United States

On February 23, 2015, Greentube Internet Entertainment Solutions GmbH, Austria, acquired 100 % of the shares of Abzorba Games LLC, USA, also through a newly established subsidiary. The acquired company develops social casino and multiplayer games based on its proprietary gaming platform. With this acquisition, the Group enhances its activities in the area of online gaming.

The accounting of the acquisitions as per IFRS 3 has already been finalized in Germany and Italy, while in Canada and the U.S. it had not yet been fully completed as of the date of this report. Accordingly, the values of the opening balance sheet have not yet been finally determined for these two acquisitions. The allocation of the total purchase price to the assets acquired and liabilities assumed is also not yet completed. Changes are possible, in particular in the area of intangible assets. The inclusion of these acquired companies in the consolidated interim financial statements is therefore based on provisional fair values.

The following overview provides a summary for the corporate acquisitions in Germany, Italy, Canada and the U.S.:

EUR m	fair values
Intangible Assets	20.6
Property, plant and equipment	2.5
Other non-current assets	0.1
Deferred tax assets	0.4
Inventories	0.0
Cash and cash equivalents	3.9
Other current assets	1.0
Non-current liabilities and provisions	-1.6
Deferred tax liabilities	-5.8
Current liabilities and provisions	-4.7
<b>Net assets</b>	<b>16.4</b>
Non-controlling interests	-1.2
Goodwill	14.5
<b>Consideration</b>	<b>29.7</b>

The consideration of approximately EUR 29.7 million for the acquisitions listed above consists of a portion of EUR 26.8 million already paid in cash, as well as a contingent consideration amounting to EUR 2.9 million. The contingent purchase price depends on the development of the underlying performance indicators for future periods through 2017 and was determined on the basis of discounted cash flows.

For the Canadian acquisition, the non-controlling interests were valued as the corresponding portion of the reported identified net assets as of the acquisition date. For the Italian acquisition, the fair value was used accordingly.

Provisional goodwill resulting from the acquisition reflects the strategic advantages that are expected from the increased presence in the respective markets, as well as the expected synergies in the online segment. Based on a preliminary assessment, goodwill will not be tax-deductible.

The other current assets mainly include trade receivables with a fair value of EUR 0.3 million (gross amounts).

Since the acquisition date, revenues of EUR 6.9 million have been recorded, while the earnings have amounted to EUR -0.8 million.

#### Further comments on the acquisitions

No disclosures are made regarding the revenues and results or losses of the acquired companies based on the assumption that the acquisition date for all business combinations had been the beginning of the reporting period, as this determination would require considerable additional effort and would have only minor significance to the consolidated interim financial statements.



The individual corporate acquisitions are detailed in NOVOMATIC AG's consolidated financial statements as of December 31, 2014. At the time of preparation of the consolidated financial statements, the accounting for the corporate acquisition in Spain had not yet been completed, in particular with regard to intangible assets. Therefore, provisional fair values were used. The final values for this business combination are now available and are taken into account retroactively.

The following overview provides a summary for the corporate acquisitions in the Netherlands, Lithuania, Malta, Italy and Spain:

EUR m	provisional fair values	final fair values
Intangible Assets	42.1	44.7
Property, plant and equipment	13.5	13.5
Other non-current assets	1.5	1.5
Deferred tax assets	4.2	4.2
Inventories	11.0	11.0
Cash and cash equivalents	4.4	4.4
Other current assets	23.5	23.5
Non-current liabilities and provisions	-7.9	-8.5
Deferred tax liabilities	-8.6	-8.8
Current liabilities and provisions	-25.0	-25.0
<b>Net assets</b>	<b>58.6</b>	<b>60.4</b>
Non-controlling interests	-6.9	-9.0
Goodwill	14.5	13.4
<b>Consideration</b>	<b>66.3</b>	<b>64.7</b>

The final consideration now amounts to EUR 64.7 million (including EUR 61.0 million payable in cash and EUR 3.8 million representing a contingent purchase price). During the previous year, a purchase price of EUR 62.5 million was paid in cash. Based on the final determination of the purchase price, the purchase price was reduced by EUR 1.5 million during the current reporting period, resulting in a repayment. The non-controlling interests of the Spanish acquisition were valued at their fair value as of the acquisition date. The other disclosures remained unchanged.

## Disposals 2015

In March of 2015, 99 % of the shares of HTL OOO, Russia, were sold. This disposal also included the subsidiary Zolotaya Bukhta OOO, Russia.

In May of 2015, 100 % of the shares of Novo Investicije d.o.o., Slovenia, were sold. This disposal also included its five Slovenian subsidiaries and sub-subsidiaries HTI Invest d.o.o., Memoria d.o.o., Memorija Turizem d.o.o., NOVO AS d.o.o. and Admiral d.o.o..

As of the disposal date, the companies had the following carrying values:

EUR m	Carrying value in the Group
Intangible Assets	0.0
Property, plant and equipment	10.8
Other non-current assets	0.1
Deferred tax assets	0.0
Inventories	0.1
Cash and cash equivalents	2.2
Other current assets	1.1
Non-current liabilities and provisions	-1.0
Deferred tax liabilities	0.0
Current liabilities and provisions	-1.6
<b>Net assets sold</b>	<b>11.8</b>

From the other comprehensive income, EUR 6.2 million resulting from the currency translation were reclassified to the income statement. The consideration received amounted to EUR 14.8 million during the reporting period. The resulting disposal gains of EUR 7.9 million (taking the outgoing non-controlling interest as well as cumulative currency effects into account) are disclosed in the consolidated income statement under "other operating income".

# NOVOMATIC

## Intangible Assets

Goodwill developed as follows:

Acquisition costs	Goodwill
As at 1/1/2015	140.5
Currency translation adjustments	2.4
Acquisitions through business combinations	14.5
Additions	0.2
Disposals	-1.5
<b>As at 6/30/2015</b>	<b>156.0</b>

  

Cumulative depreciation and amortization	Goodwill
As at 1/1/2015	34.5
Acquisitions through business combinations	0.0
Disposals	-1.5
<b>As at 6/30/2015</b>	<b>33.0</b>

  

<b>Carrying value as of 1/01/2015</b>	<b>106.0</b>
<b>Carrying value as of 6/30/2015</b>	<b>123.1</b>

## Financial Assets

Through the acquisition of BAIH Beteiligungsverwaltungs GmbH, the NOVOMATIC Group also acquired an indirect interest of 7.94 % of Österreichische Lotterien Gesellschaft mbH. This financial investment is disclosed as a financial asset.

## Disclosures on Financial Instruments

The valuation methods and processes as well as the classification of financial instruments are described in detail in the consolidated financial statements as of December 31, 2014 and were applied to the interim reporting period accordingly, without any changes.

### a) Fair value of financial assets and liabilities valued at fair value on a regular basis

Some of the Group's assets and liabilities are fair valued for financial reporting purposes.

EUR m	6/30/2015	12/31/2014	Hierarchy
<b>Assets</b>			
Financial assets available for sale	25.9	20.2	Level 1
Derivatives	2.3	2.8	Level 2
<b>Liabilities</b>			
Contingent considerations from business combinations	9.9	9.2	Level 3
Derivatives	0.1	0.0	Level 2

The financial assets available for sale relate to listed equity and debt instruments. For the valuation, the bid prices quoted on an active market are used, based on confirmations by the custodian banks.

The derivative instruments include forward exchange contracts, the value of which is determined through the application of a discounted cash flow method. For this, the future cash flows are estimated based on forward exchange rates (observable prices as of the balance sheet date) as well as the contractually agreed forward exchange rates. The valuations are carried out by the banks involved. The market value for 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. The changes in fair value are recorded in profit and loss.

EUR m	6/30/2015		12/31/2014	
	Nominal amount	Market value	Nominal amount	Market value
USD forward contract	29.4	1.7	21.5	2.8
GBP forward contract	54.3	0.5	0.0	0.0

The contingent consideration from business combinations results 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 of time after closing. The valuations of the obligations from contingent purchase prices are based on updated revenue and EBITDA forecasts. Depending on their residual terms, the contingent consideration amounts are disclosed in the balance sheet as either other non-current liabilities (purchase price obligations) to the amount of EUR 7.3 million (previous year: EUR 7.0 million) and trade payables and other liabilities (purchase price obligations) to the amount of EUR 2.6 million (previous year: EUR 2.2 million). The purchase price obligations have residual terms of 1 to 3 years. An increase of the underlying revenue or EBITDA amounts by +10 % would result in an increase of the obligation by EUR 1.4 million (previous year: EUR 1.1 million); a reduction of these amounts by -10 % would result in a decrease by EUR 1.4 million (previous year: EUR 1.1 million).

The change in the contingent consideration from business combinations by EUR 0.7 million is the result of additions of EUR 2.9 million from acquisitions and disposals of EUR 2.2 million from settlements.

**b) Fair value of financial assets and liabilities not valued at fair value on a regular basis, but for which the fair value must be disclosed**

For financial instruments valued at cost, the following table provides an overview of the carrying values as well as the corresponding fair values:

EUR m	6/30/2015		12/31/2014		Hierarchy
	Carrying value	Fair value	Carrying value	Fair value	
<b>Financial liabilities</b>					
Bonds	591.8	615.4	780.8	809.4	Level 1
Bank and leasing liabilities	293.3	295.7	122.3	124.6	Level 2

During the reporting period, NOVOMATIC AG redeemed, as scheduled, a bond with an emission volume of EUR 200 million which was due on January 22, 2015. The fair value of the remaining bonds was determined based on the according market price. The market value of the bank and leasing liabilities was determined by discounting the future fixed cash flows related to these liabilities using the current market interest rate.

For financial assets and financial liabilities not listed above, it is assumed that their carrying value constitutes a reasonable approximation of its fair value.

For cash and cash equivalents, trade receivables, trade payables, other current receivables and other current liabilities, the fair value roughly corresponds to the carrying 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 carrying value are assumed. The default risk is taken into consideration through the application of valuation allowances.

Interests in affiliated but non-consolidated companies as well as other investments are excluded from this method. They are valued at amortized cost, as their fair values cannot be reliably estimated.

## Segment Reporting

01 - 06/2015

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	418.6	562.1	7.5	0.0	988.2
Intra-segment revenues	53.9	4.7	3.3	-62.0	0.0
<b>Total revenues</b>	<b>472.6</b>	<b>566.8</b>	<b>10.8</b>	<b>-62.0</b>	<b>988.2</b>
Depreciation and amortizations	-82.1	-44.0	-2.9	0.0	-129.0
<b>Segment result (EBIT)</b>	<b>107.4</b>	<b>56.3</b>	<b>1.8</b>	<b>-3.6</b>	<b>161.8</b>
Financial result					-10.8
Earnings before taxes					151.1
Income taxes					-47.6
<b>Profit for the period</b>					<b>103.5</b>

01 - 06/2014

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	393.2	539.5	8.2	0.0	940.9
Intra-segment revenues	49.5	4.2	3.3	-57.0	0.0
<b>Total revenues</b>	<b>442.7</b>	<b>543.7</b>	<b>11.5</b>	<b>-57.0</b>	<b>940.9</b>
Depreciation and amortizations	-82.8	-38.8	-2.4	0.0	-124.0
<b>Segment result (EBIT)</b>	<b>90.5</b>	<b>84.4</b>	<b>1.2</b>	<b>-11.0</b>	<b>165.1</b>
Financial result					-17.8
Earnings before taxes					147.3
Income taxes					-43.3
<b>Profit for the period</b>					<b>104.0</b>

There were no significant changes in the total asset values in the segments.

### Related party transactions

There were no significant changes regarding transactions from the delivery of goods, services, rental fees as well as research and development services with related companies and persons.

During the reporting period, the NOVOMATIC Group sold 100 % of its shares in Novo Investicije d.o.o., Slovenia, to a related company.

### Seasonality of the business

The business performance of the NOVOMATIC Group is not characterized by any significant seasonal fluctuations.

### Contingent liabilities

There have been no significant changes to the contingent liabilities since the last balance sheet date.

### Dividends

The General Meeting on April 30, 2015 agreed the payment of a dividend totaling EUR 152.0 million to the shareholders. The payment of the agreed dividends was made in May 2015.

### Compulsory statement on the review by an auditor

The interim financial report 2015 was subject to neither a complete audit nor a review by an auditor.

## Subsequent Events after the Interim Reporting Period

In June of 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 licenses granted to NOVOMATIC for the locations Vienna North-East (Prater) and Lower Austria (Bruck an der Leitha) were revoked by the Federal Administrative Court in July of 2015.

After the end of the reporting period, NOVOMATIC signed purchase agreements on the acquisition of an indirect share in Österreichische Lotterien Gesellschaft mbH. At the time of preparation of these interim financial statements, NOVOMATIC held an indirect share of approximately 18 % in Österreichische Lotterien Gesellschaft mbH.

During the year 2015, NOVOMATIC furthermore submitted binding offers for the acquisition of direct and indirect ownership shares in Casinos Austria Aktiengesellschaft, which are subject to the suspensive conditions of various approvals according to public and company law, co-shareholders not exercising their existing pre-emption rights, as well as further formal approval requirements. Because of this, the offers had not yet been legally concluded at the time of preparation of these interim financial statements.

No further significant events occurred after the end of the interim reporting period.

## Statement by the Executive Board

We confirm to the best of our knowledge that the consolidated interim financial statements as of June 30, 2015 give a true and fair view of the financial position, the financial performance and the cash flows of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and that the consolidated management report of June 30, 2015 gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties which the Group faces.

Gumpoldskirchen, August 25, 2015

The Executive Board of NOVOMATIC AG

**Mag. Harald Neumann m.p.**  
CEO

**DI Ryszard PRESCH m.p.**  
Deputy CEO

**Mag. Thomas GRAF m.p.**  
CTO

**Mag. Peter STEIN m.p.**  
CFO