

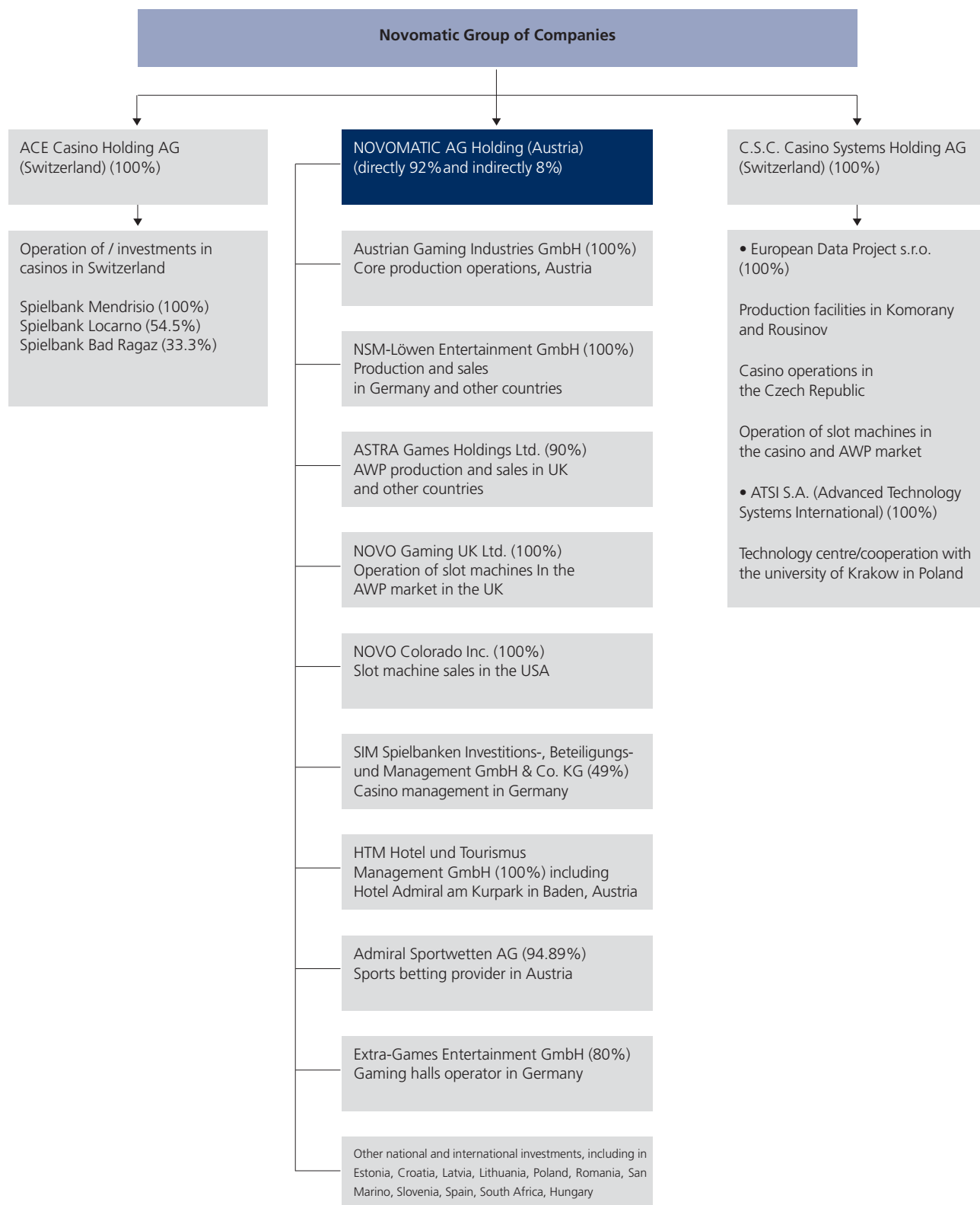
NOVOMATIC AG

ANNUAL REPORT 2005

NOVOMATIC AG



Organisation Chart of the NOVOMATIC Group of Companies

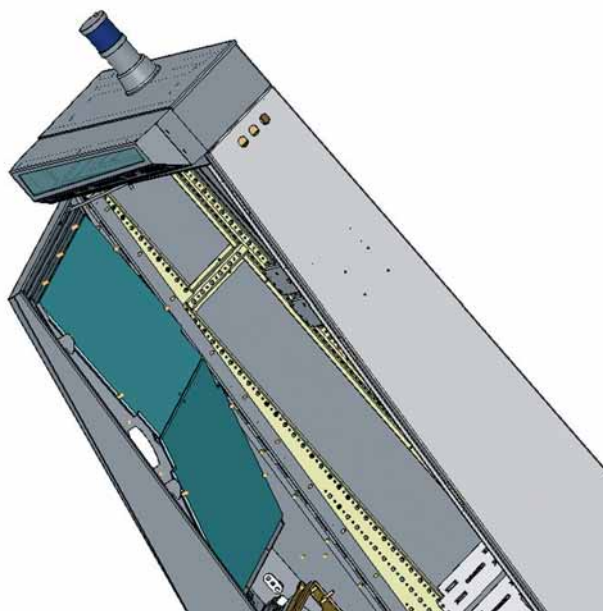
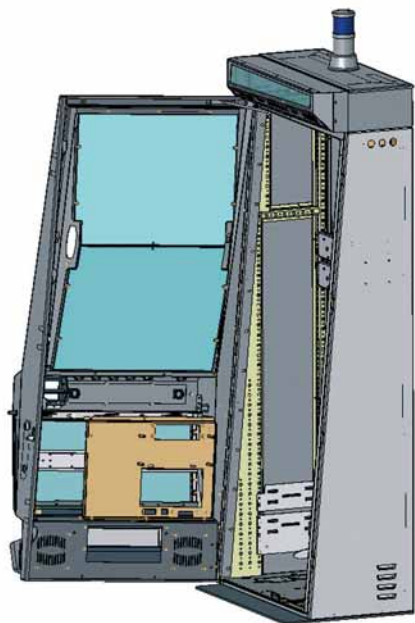
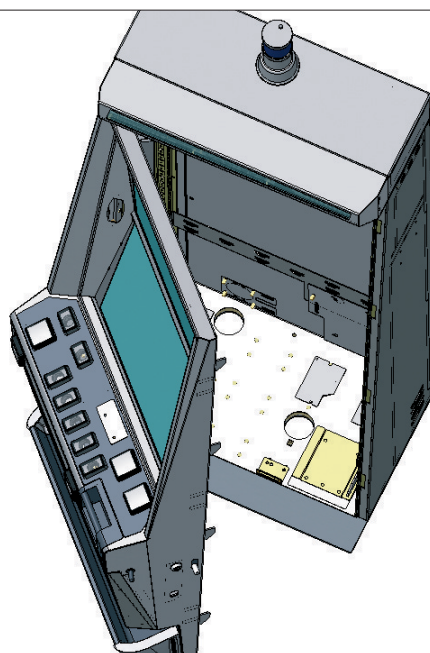
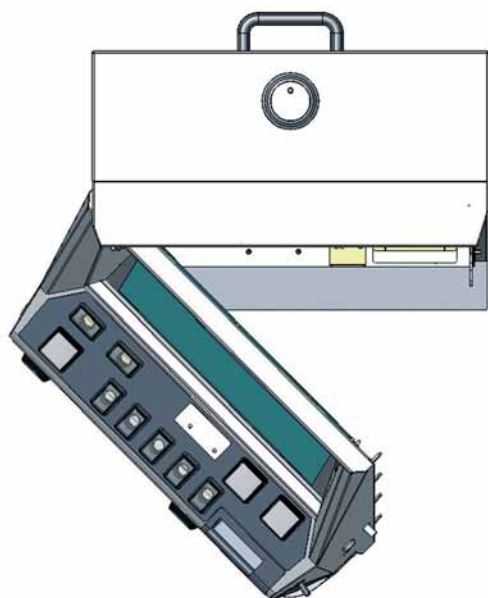




Key Figures and Ratios of NOVOMATIC AG (Group)

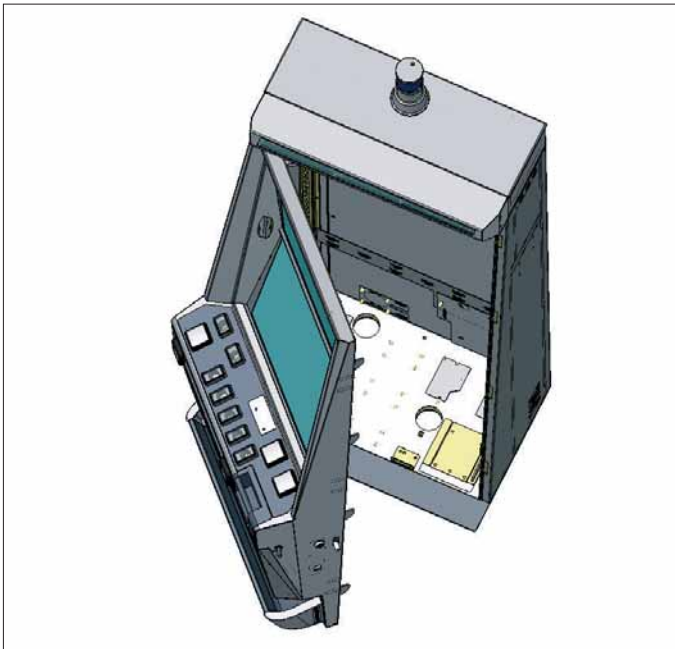
| Consolidated income statement (EUR million) | 2005 | 2004 | 2003 |
|---|-------|-------|-------|
| Sales | 645.5 | 470.8 | 283.6 |
| EBITDA | 167.9 | 91.0 | 54.5 |
| Return on sales (EBITDA/sales) in% | 26.0 | 19.3 | 19.2 |
| EBIT | 141.6 | 69.4 | 42.5 |
| EBIT margin in% | 21.9 | 14.8 | 15.0 |
| Result from ordinary activities (EBT) | 139.2 | 67.8 | 42.2 |
| Net income for the year | 106.6 | 38.2 | 26.9 |
| Net cash flow | 91.2 | 61.3 | 43.6 |

| Consolidated balance sheet (EUR million) | 2005 | 2004 | 2003 |
|---|-------|-------|-------|
| Fixed assets | 162.2 | 105.9 | 73.7 |
| Other long-term assets | 2.7 | 3.3 | 1.9 |
| Current assets | 316.9 | 156.8 | 118.3 |
| Debt | 308.9 | 148.9 | 105.7 |
| Equity | 186.6 | 117.1 | 88.1 |
| Equity ratio in% | 37.7 | 44.0 | 45.4 |
| Investments (intangible and tangible assets) | 76.0 | 65.1 | 19.1 |
| Investments (intangible and tangible assets) as a % of sales | 11.8 | 13.8 | 6.7 |
| Average number of employees during the year | 3,497 | 2,737 | 1,948 |



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Welcome to the World of NOVOMATIC





Foreword

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Ladies and Gentlemen,



The discussion in the past year surrounding the European conditions for the international gaming industry in connection with the services directive of the European Union has clearly shown again how difficult the European integration process is proving to be. Conflicting expectations and interests are manifest in detailed issues, necessitating compromise in order to find the balance necessary for the creation of a body of rules and regulations that makes the corresponding European economic growth scenarios possible – without which the aims of full employment and social security cannot be achieved. This will also result in the kind of fundamental stability that only a bundling of European achievement potential beyond the borders of today's EU-25 makes possible.

Expanding from the core holding NOVOMATIC AG based in Austria, our Group has transformed itself into the second-largest manufacturer of high-tech gaming equipment in Europe, and, as the world market leader in interactive table gaming and one of the largest integrated gaming groups in the world, has long become a showpiece for the Austrian economy. This success is not based solely on our central location in Europe, rather in particular on the conscious bundling of European creativity in diverse competence centres with coordination and leadership concentrated at the R&D centre at our headquarters in Lower Austria, which result in our ability to continuously provide new stimuli and innovations that shape the global gaming industry. This Annual Report documents the resulting success, which not only provides our employees with job security within the NOVOMATIC Group but also successfully showcases Austria as a business location on the international stage.

The bond that NOVOMATIC AG successfully placed in the past year highlights the confidence of investors in our development potential, enabling our research and development networks to be expanded, and allowing further strategic targeted acquisitions at home and abroad.

Not only in the high-end technological research and development field - our core competence - is our success based on our disposition to innovate and our courage to break new ground. Also in the area of gaming operations there is an ongoing need to develop new forward-looking entertainment concepts that extend beyond the actual game and offer new options in terms of upmarket recreational activities for an increasingly discerning clientele. Casino Admiral® Prater in Vienna, which opened in spring 2005, is one of Europe's most modern state-of-the-art entertainment centres and with its unique entertainment offering is an international showcase model for future electronic gaming locations.

Today, NOVOMATIC is amongst Austria's most famous and most valuable brands and in 2005 was voted Austria's "Leading Company". NOVOMATIC enjoys a global reputation and esteem amongst customers, business partners and friends. We brought new buzz words like "corporate social responsibility" to life long before there was a specific description for these ideas. Employees and Group managers form a homogeneous unit, based on mutual trust, with transparent communication structures. Ultimately this is the real "secret" of our success – European integration has existed within the Group for a long time – expanding from a strong Group Holding in Austria: NOVOMATIC AG.

Gumpoldskirchen (Austria), August 2006



Professor Johann F. Graf

Foreword from the Board of Directors

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Dr. Franz Wohlfahrt

Dear customers and business friends,

In its 25th anniversary year, the NOVOMATIC Group impressively managed to write another chapter in what has become an Austrian success story. As global players, NOVOMATIC AG and its affiliates generated sales in the past financial year surpassing the EUR 1 billion mark for the first time, further strengthening its position as one of the largest integrated gaming groups in the world.

The extremely sound earnings posted by NOVOMATIC AG in financial year 2005 are based on outstanding performance in all business segments. Right from the beginning of the year, sales exceeded all the target figures and were again substantially above the comparative figures of the previous year. The successful expansion strategy of the company in the EU member states was accompanied by successful activities in EU accession candidate countries such as Romania or Croatia as well as exceedingly successful performances by the subsidiaries that we acquired over the past few years – in particular, NSM-Löwen Entertainment GmbH in Germany and ASTRA Games Holdings Ltd. in the UK have now both been fully integrated into the Group.

A large portion of our success remains based on the role of NOVOMATIC as a trendsetter and technology leader in the development of high-end casino equipment and system solutions, concentrated in our research centre located at the Group's headquarters in Gumpoldskirchen and supported by competence centres in Europe and far beyond. Our recipe for success remains the mixture of technical solutions, creativity in developing and designing games as well as sound knowledge of the market. Both the areas of production and sales, as well as the operation of gaming locations, benefit from an ongoing expansion strategy based on targeted acquisitions and strategic partnerships.

In addition to actively pursuing cooperations with state lottery providers and bookmakers, and the establishment and operation of themed "betting casinos" such as Casino Admiral® Prater which opened last year in Vienna, there are many more new areas of business potential. These include the development of game content for iTV gaming platforms with potential strategic partners from the telecommunications or television fields to leverage the opportunities presented by HDTV.

Further market development in the gaming industry is directly dependent on and influenced by legal frameworks. NOVOMATIC AG is an advocate for the introduction of a standard gaming directive within the EU. Only the future harmonisation and regulation of markets throughout Europe will guarantee minimum standards in the areas of player protection, solvency and seriousness. As an operator of casinos and electronic gaming venues, NOVOMATIC lives up to this responsibility and continues to systematically expand upon its responsible gaming programme.

With one of the most extensive product ranges in the international gaming industry, the success of the Group is in no small part based on the internationally influenced corporate culture in which the focus is always on the person - whether employees, business partners or customers. Along with the ingenuity of the Company's founder, Prof Johann F. Graf, our employees and their ideas will continue to underpin our future success.

We would like to take this opportunity to thank all our customers and business partners for the confidence that they have placed in us. Special thanks also go to all of our employees, without whom our joint success would not have been possible. We would also like to thank the Supervisory Board for its active support throughout the past year.

Gumpoldskirchen (Austria), August 2006



Ryszard Presch

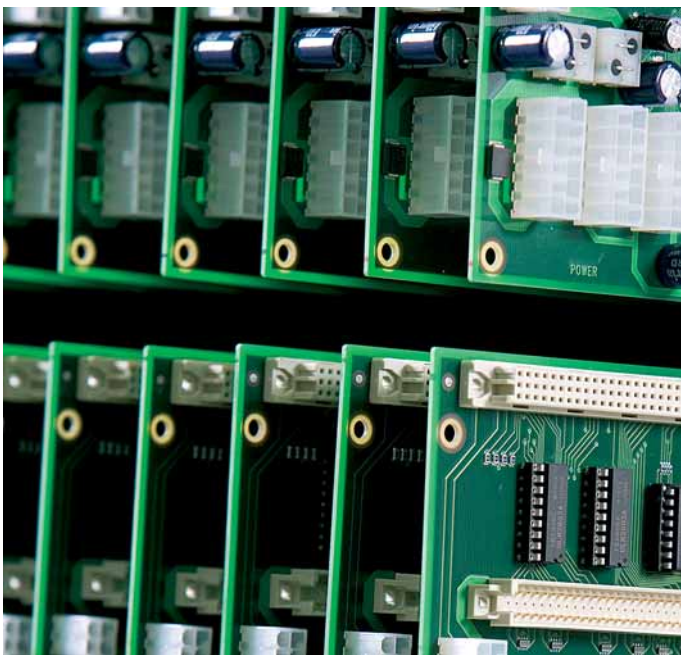
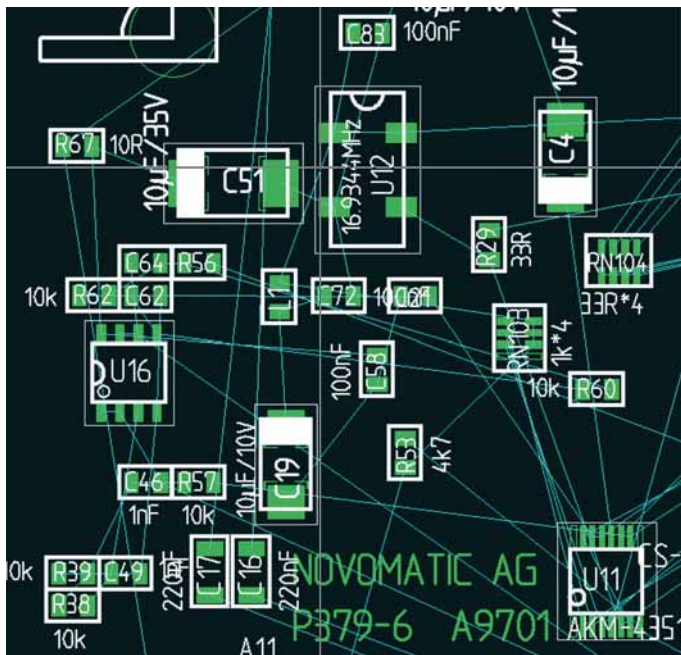


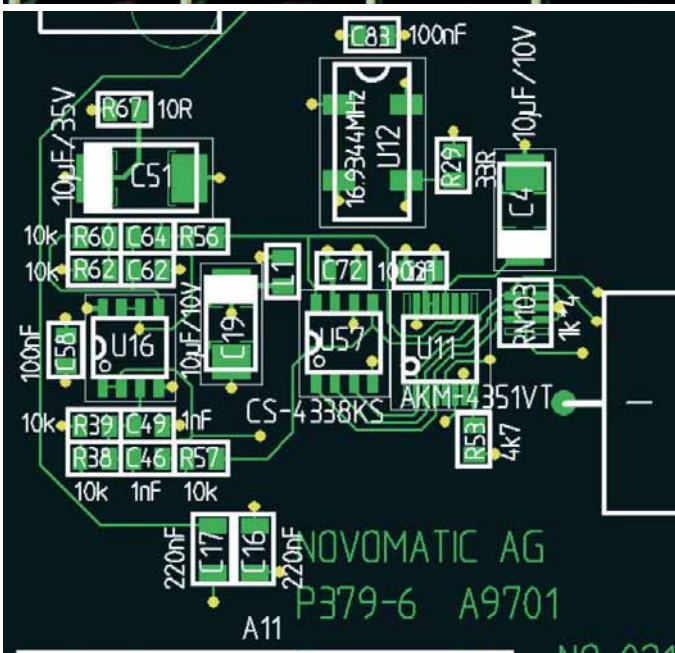
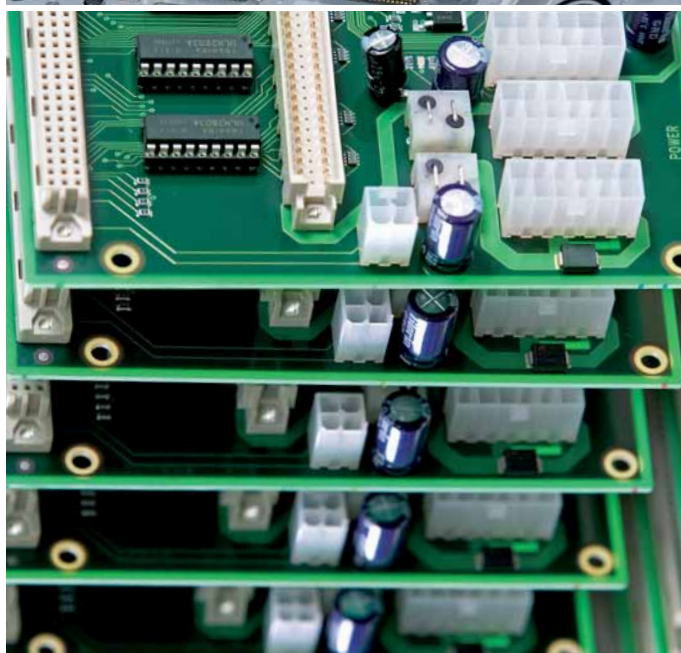
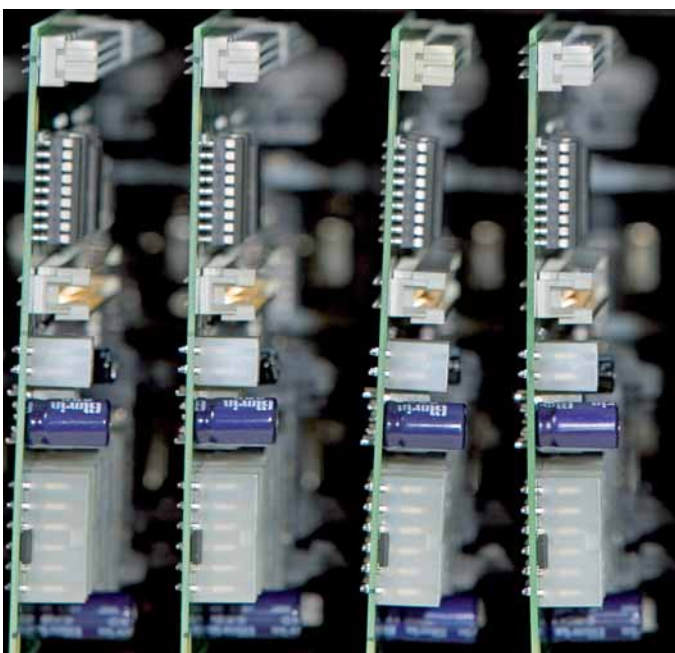
Peter Stein

Franz Wohlfahrt
Chairman of the
Board of Directors

Ryszard Presch
Deputy Chairman of the
Board of Directors

Peter Stein
Member of the
Board of Directors





Excursus: The Significance of Brands – Intangible Assets with a Future

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Brands not only distinguish products and services, they also distinguish companies. The degree of popularity and image of a brand also plays a significant role in the economic success of companies. Brand strategy is thus a key part of corporate management - following the trend in a changing economic environment in which knowledge-based operation is becoming more and more important along with investment-oriented operation.

Accounting standards such as IAS 36 and IAS 38 or US GAAP accounting also take this trend into consideration. They allow, or even demand, that goodwill is accounted for inclusive of brand values. They consider brands to be intangible assets with an indefinite life. However, this also means that brands cannot be amortised, like patents for example, but that they have to be subjected to an annual impairment test - i.e. its value has to be examined. The brand value from this current assessment is then used in the balance sheet. This means that information on brands as intangible assets will also be of use to equity providers and shareholders. This benefits the company in terms of the acceleration and the lower volatility of future cash flows.

A well-established brand accelerates cash flows - compared with non-established brands - through potentially higher price premiums, cross-selling, additional uses, lower sales and service costs, less capital employed and possible co-branding and co-marketing initiatives. Established brands also increase shareholder value as they reduce the volatility of future cash flows. If cash flows are more predictable and more stable, they have a higher net present value as a result of the lower risk.

Thanks to a loyal customer base, potential competitor activity has less of an impact on changes in retail sales. Assuming that the cost of attracting customers is higher than the cost of retaining them, the mathematical justification of the brand focus on customer retention and loyalty is easier to understand. Another key factor in increasing the enterprise value is the terminal value of the future cash flows. Through quicker market penetration, cross-selling of products and services, brand extensions, upgrades and a larger, more loyal and better customer base, the terminal value included in the net present value calculation will also be higher than in the case of less brand-oriented companies.

In terms of good corporate governance, brands are increasingly playing a significant role in addition to corporate strategy. Brands already constitute a share of up to 60% of the enterprise value. The development trend in the brand value share of enterprise value is heading for an 80% share of the enterprise value on average according to the most recent empirical studies.

To account for this trend, the world's first standard for "measurement of brands as intangible assets" was developed in Austria. The Austrian Standards Institute developed the standard ONR 16800 for this purpose. This created the opportunity not only to measure the brands, but also to maintain brand accounts on the basis of which brand indicators and thus the necessary campaigns and actions could be tracked and managed.

The measured brands offer the opportunity to quantify brands as intangible assets into money or fictitious units. This figure can thus be used as a basis for corporate policy and technical financial decisions. The significance of brands as a factor of value for companies can thus be expressed convincingly in internal company reporting. As a result, corporate action focuses on strategically decisive potential thinking.

A corporate and brand strategy that is specifically described in terms of sectors, brand and corporate life cycle and based on ratios, enables the key value driving factors to be pursued and managed, thus increasing the value of the brands in the long term.

In any case these analyses show that brands are developed into high-quality products and services, marketing and communication through investments and must be managed just like other assets.

In the Austrian Brand Value Study 2005, average growth in the brand values examined of 7.5% was established compared with the previous year. The lead brands even grew by up to 17.6% in this period. NOVOMATIC belongs to the Future Brands segment. These brands stand out from the crowd, particularly due to their brand strength and their potential which depends on the size of the company and sales. An analysis of the Future Brands segment shows that these brands enjoy above-average growth.

The gaming industry brands are part of the booming leisure and entertainment industry. NOVOMATIC exploited the boom and the growth rates in the CEE states at an early stage, gained market shares in the key markets and thus became one of the largest integrated gambling groups in the world. The high pace of growth is reflected in both sales and earnings, and NOVOMATIC continues to demonstrate substantial brand and high growth potential.

Gerhard Hrebicek

The World of NOVOMATIC

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As a corporation operating on a global scale, the NOVOMATIC Group is one of the largest integrated gaming group companies in the world. The Austrian-based company NOVOMATIC AG forms the core of the NOVOMATIC Group with the headquarters located in Gumpoldskirchen, Lower Austria.

The business areas in which NOVOMATIC is active cover almost the complete range of business activities in the international gaming and betting markets. NOVOMATIC develops, produces and sells gaming equipment and system solutions for casinos. NOVOMATIC also operates casinos, electronic gaming venues (electronic casinos) and sports betting companies. NOVOMATIC's product range is one of the most extensive in the international gaming industry.

Through its subsidiary Austrian Gaming Industries GmbH (AGI®), NOVOMATIC is the world's market leader in interactive table gaming and multiplayer systems as well as the technology leader in electronic gaming machine construction and innovation. At the heart of the success of NOVOMATIC products is a higher-than-average research and development rate which enables the Group to repeatedly emerge with groundbreaking innovations.

This requires innovative technical solutions, a large degree of creativity in the development and design of games as well as excellent market knowledge to shape products that appeal to discerning players around the globe.

NOVOMATIC has managed this again and again in its 25-year history.

NOVOMATIC's products comprise high-tech computerised reel and video gaming machines, video-poker equipment, limited stakes gaming machines and betting terminals. NOVOMATIC also offers technology solutions for video lottery companies, networking and online systems for casinos and the sports betting arena, as well as cashless gaming and betting systems.

NOVOMATIC products and system solutions can be found in casinos and electronic gaming venues around the world.

It is not only the technological lead of NOVOMATIC products that wins over customers and business partners, but also the practiced principles of sustainable management and social responsibility. For NOVOMATIC, dealing carefully with the responsibility to customers and employees is a key element to the company's success.

The willingness to constantly develop further and the Group's ability to innovate remain essential to NOVOMATIC's successful engagement in the market.

A decisive role must be accorded to the founder and majority shareholder of NOVOMATIC, Prof Johann F. Graf, who remains a driving force for innovation and technological development. In addition, Prof Graf embodies a corporate culture that values a responsible approach to gaming. As part of its responsible gaming programme NOVOMATIC has developed and implemented a training programme for the early recognition and prevention of gambling addiction in close collaboration with the Inter-disciplinary Research Group on Addiction Berlin (ISFB).

NOVOMATIC casino employees and employees of the NOVOMATIC subsidiary Admiral Sportwetten AG are trained regularly on the ISFB findings and in this way make a fundamental contribution to the prevention of gambling addiction on a daily basis.



NOVOMATIC AG is a global, integrated gaming group company. Its strategy is aimed at steady, checked growth as a manufacturer of high-tech gaming equipment and an operator of attractive gaming venues. NOVOMATIC is the second-largest European producer of gambling equipment. NOVOMATIC AG, which is established in the high-tech segment, is the market leader in interactive table gaming and multiplayer systems. NOVOMATIC AG operates casinos, electronic casinos and sports betting companies. NOVOMATIC has pursued a clearly defined growth path in both its operational and manufacturing business activities for many years. This duality of being both a manufacturer and operator gives NOVOMATIC a clear competitive edge. On the production side, the expansion course is fuelled by creative products and technological innovations. On the operational side, expansion is based on a responsible approach to gaming, combined with new forward-looking entertainment concepts and underpinned by the unalterable principle of operating only in regulated markets.

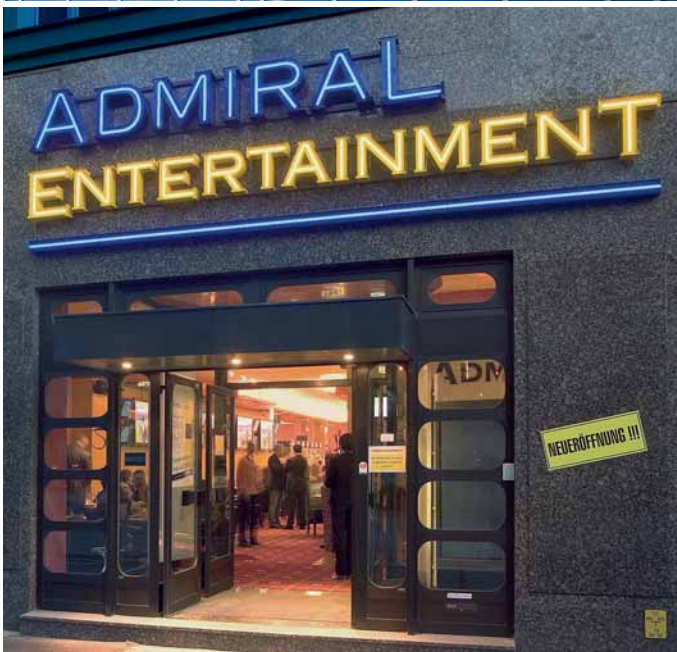
The success of NOVOMATIC products is due in no small part to the creativity and ingenuity of its founder Prof Johann Graf, and the important role that research and development plays in the entire Group.

The investment ratio, which is significantly above the industry average at approx. 10% of the annual sales of NOVOMATIC's production subsidiary Austrian Gaming Industries (AGI®), guarantees a constant stream of innovations that provide maximum customer satisfaction, whilst setting gaming industry milestones. It is the stated goal of NOVOMATIC to further extend its technological edge in electronic table gaming, as well as electronic gaming machines and networked gaming systems through persistently high R&D rates.

NOVOMATIC continues to strive for checked growth in both production and operations. The majority of this growth will continue to be organic, with some measured growth resulting from acquisitions – such as the acquisition in 2003 of the second-largest German manufacturer of gaming equipment, NSM Löwen-Entertainment GmbH, the 2004 acquisition of the UK-based ASTRA Games Holdings Ltd. and the acquisition in 2005 of the German electronic gaming venue operator Extra Games Entertainment GmbH. As an operator of casinos as well as electronic gaming venues, NOVOMATIC foresees solid growth opportunities in the member states of the European Union, the accession candidate countries, as well as in selected markets with clear existing and emerging legal frameworks.

As a manufacturer and provider of high-end high-tech gaming equipment and services, it is NOVOMATIC's goal to become the outright market leader in Europe.

NOVOMATIC also looks toward a future that will leverage new business areas and opportunities that will stem from a harmonisation of community law across European Union member states – such as the provision of cross-border gaming services. Further, NOVOMATIC will continue to pursue and extend its cooperations with state lottery providers and bookmakers, whilst building upon its themed betting casino concept that has proven to be so successful in Casino Admiral® Prater. The development of game content for iTV gaming platforms is yet another attractive future business segment for NOVOMATIC. Through this medium NOVOMATIC will be able to leverage the opportunities presented by digital television through strategic partnerships with major players in the telecommunications or television fields.



Gaming Machines

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NOVOMATIC AG offers one of the most extensive product ranges in the international electronic gaming machine market, and with its innovative product developments has repeatedly set technological milestones and standards within the industry.

All new products from NOVOMATIC are tested in NOVOMATIC's own operations before being offered to customers. This means that only mature solutions, gaming equipment and game concepts with proven player acceptance find their way into the market place.

Product and game offerings range from electronic gaming equipment, including 3 and 5-reel slot and video machines, to multiplayer equipment, in addition to AWP and LPM limited stakes gaming equipment (Amusement with Prizes; Limited Payout Machines).

NOVOMATIC also offers video lottery terminals and fixed odds betting terminals, i.e. networked system solutions for intranets and/or wide area applications.

Video network terminals for gaming and betting applications on a central server basis as well as cashless solutions round off the product range.

Jackpot systems, security and monitoring solutions as well as accessories for casino operations, electronic gaming venues, betting shops and bingo halls are also part of NOVOMATIC's product range.

In addition, NOVOMATIC develops management information systems such as slot accounting and electronic payment systems for the international casino and electronic gaming arcade industries.

The production companies of NOVOMATIC AG are Austrian Gaming Industries GmbH (AGI®), NSM-Löwen Entertainment GmbH (NSM), ASTRA Games Holdings Ltd. (ASTRA) and AGI® Hungary Kft.

The ongoing development of attractive games and groundbreaking technologies is driven by the innovative spirit of the founder, Prof Johann F. Graf, and secured by an above industry average research and development rate.

Groundbreaking innovations brought into production during the past five years have included: Multi-Screen Technology (MST®); the space-saving Gaminator cabinet; the first multiplayer slot machine for up to 250 players; and Novo TouchBet® Roulette - the first system to be linked to a live roulette table where up to 250 players can play simultaneously.

In the past financial year, NOVOMATIC presented the world premiere of the revolutionary G-Rex™. It is the first electronic gaming machine with three TFT screens – opening a wealth of new game design opportunities. G-Rex™ embodies the entertainment character of modern gaming machines and has been enthusiastically received by players and operators the world over.

With the development in 2004 and presentation in 2005 of Novo Unity™ technology, NOVOMATIC marked the beginning of a new era in multiplayer systems. The new PC-based game server Novo Unity™ enables the rapid development of new electronic table game multiplayer products as well as the networking of multiple multiplayer systems, offering players exciting new gaming entertainment opportunities.



Research & Development – Leading Through Innovation

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The success of NOVOMATIC AG is based on the ongoing development and creation of new technologies and games, management information and payment systems, and security and monitoring solutions. The latest generation of electronic gaming equipment and casino management systems are at the leading edge of technological developments. NOVOMATIC has made a significant contribution to this.

Continued innovation in the development of gaming equipment requires: (1) creative ideas; and (2) the technological means to implement these ideas.

Thanks to the innovative spirit of the Company's founder, Prof Johann F. Graf, and a team of approx. 500 experts in Austria, Germany, Poland and the UK, NOVOMATIC is in a position to fulfil both these requirements and to present around eight to ten successful new games every year in addition to a steady flow of technological innovations.

Backed by the skill and expertise of Prof Graf, NOVOMATIC is able to draw on more than 25 years of experience in international gaming and in-depth knowledge of players' desires and preferences.

The technologies needed to turn ideas and visions into reality are developed in the Group's own research centres. NOVOMATIC almost exclusively uses components that have been developed in NOVOMATIC's own competence centres in its innovative groundbreaking technologies. The research and development departments of NOVOMATIC are closely intertwined and range from gaming mathematics to information technologies, from hardware and software development to design and ergonomics.

This combination of creativity in designing games and developing technologies has enabled NOVOMATIC to consistently be a trendsetter in the international gaming industry.

Electronic gaming machines from NOVOMATIC are high-quality, high-tech industrial products with a reputation amongst players for the highest possible degree of game fairness whilst delivering top entertainment, and amongst operators for maximum payment security whilst engendering player satisfaction.

To underscore the importance NOVOMATIC AG assigns to innovation the Research & Development division is provided with a budget that is substantially above the industry average, with an annual spend of approx. 10% of the annual sales revenue of the production subsidiary Austrian Gaming Industries (AGI®).

The success of this strategy is tangible within the proprietary rights of NOVOMATIC AG and its affiliated companies, with approx. 750 registered trademarks, patents and designs. In addition, a large number of intellectual property filings are pending. According to a recent study by RNG Corporate Consult, Novomatic is one of the ten most valuable brands in Austria.

NOVOMATIC's research & development milestones include interactive roulette systems, such as Novo TouchBet® Roulette (the first-ever electronic table gaming solution to link player stations to a live roulette table for up to 250 simultaneous players), network solutions for jackpot systems or cashless solutions.



NOVOMATIC AG insists that only the highest possible quality assurance standards be employed in the production of its innovative high-tech gaming machines. To this end NOVOMATIC relies on two primary principles: highly-qualified employees and strong vertical integration.

NOVOMATIC almost exclusively employs skilled employees who remain up to date on the latest developments thanks to ongoing training courses. NOVOMATIC has higher-than-average vertical integration of more than 90%. Almost all components utilised in NOVOMATIC gaming equipment are manufactured within the Group, and are subjected to NOVOMATIC's stringent quality assurance checks at each stage of production and assembly. Highly-qualified employees process and guarantee the excellent quality of NOVOMATIC equipment.

The high percentage of own-produced components utilised in its products enables NOVOMATIC to react with supreme flexibility to changes in conditions on the target markets or to individual customer needs. Gaming machines are manufactured in small batches according to customer-specific production orders. NOVOMATIC products are licensed in 60 countries.

The four production subsidiaries of NOVOMATIC AG are Austrian Gaming Industries GmbH (AGI®) domiciled at NOVOMATIC's company headquarters in Gumpoldskirchen, NSM-Löwen Entertainment GmbH (NSM) in Bingen am Rhein, Germany, the UK-based ASTRA Games Holdings Ltd. (ASTRA) in Bridgend, Cardiff and AGI Hungary Kft. in Veszkeny, Hungary.

In the 2005 reporting year, construction of a new cable harness factory began in Veszkeny. The factory will commence full operations in summer 2006 and will provide cable harnesses for the entire NOVOMATIC Group.

In addition to production, AGI® is also responsible for the research and development, sales and marketing of all products that are sold worldwide.

With the German and UK locations, NOVOMATIC has high-capacity production facilities in two of Europe's key gaming markets. While AGI® covers the complete product range, ASTRA and NSM-Löwen focuses primarily on the manufacture and distribution of AWP equipment.



Customer-oriented sales of the entire product range constitute a key ingredient in NOVOMATIC AG's success. Sales are made via NOVOMATIC's production companies and carefully selected regional distribution partners.

NOVOMATIC ensures that its products – gaming machines, system solutions, lottery technologies and gaming concepts – are only sold in regulated markets. In this way NOVOMATIC can ensure that player protection and gaming security are guaranteed. In addition to this focus on responsible gaming, NOVOMATIC believes that sustainable growth is only possible in markets with a high level of regulation.

The sales activities of the NOVOMATIC Group comprise the sale of casino, AWP and LPM equipment, video lottery terminals and network solutions. NOVOMATIC exports its products to 60 countries worldwide. Sales of casino equipment, which as far as possible is distributed in standardised international formats, is carried out by Austrian Gaming Industries (AGI®).

AWP and LPM equipment, which are manufactured in diverse, market-specific formats and are subject to a high level of specialisation, are sold by AGI® and its subsidiaries ASTRA Games Holdings Ltd. in the UK and NSM-Löwen Entertainment GmbH in Germany.

The core markets for NOVOMATIC AWP and LPM products include Germany, the UK, the Czech Republic, Slovakia, Hungary, Italy, Poland, Denmark and Lithuania.

The expansion of sales activities and the setting up of new sales structures in new markets will be further supported through acquisitions.

NOVOMATIC's sales and distribution efforts are primarily directed toward the European Union, Central and Eastern Europe, as well as Latin America, the Republic of South Africa, Australia and the USA.

The new member states of the European Union offer considerable growth potential for sales. In the Czech Republic and Hungary in particular, as well as the Baltic states, NOVOMATIC has recorded sharp increases in sales.



Casino Operations, Electronic Casinos and Sports Betting

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The NOVOMATIC Group currently operates more than 240 casinos and electronic casinos worldwide, including Casino Admiral® Prater (which opened in Vienna in 2005 and is Europe's largest betting casino), and six casino operations in Germany in cooperation with Deutsche Sporthilfe. Expansion in the area of casino operations through various legal and investment concepts will be further pursued throughout Europe, and beyond.

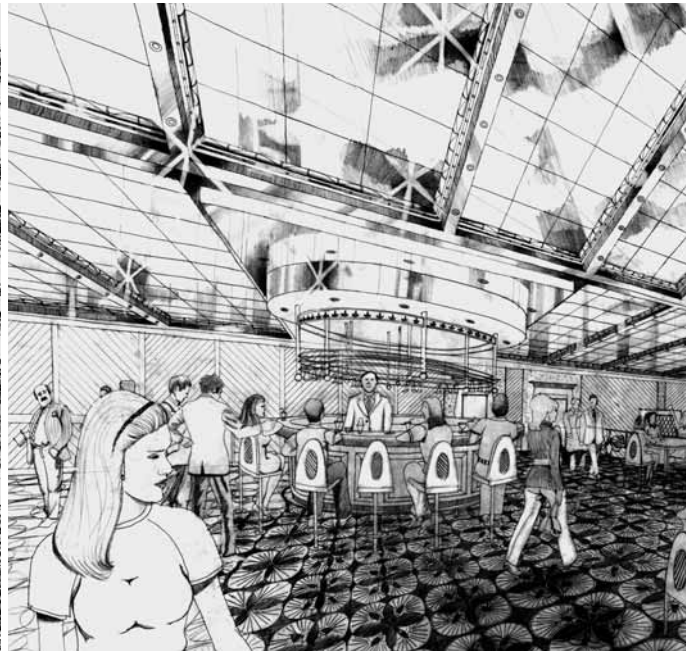
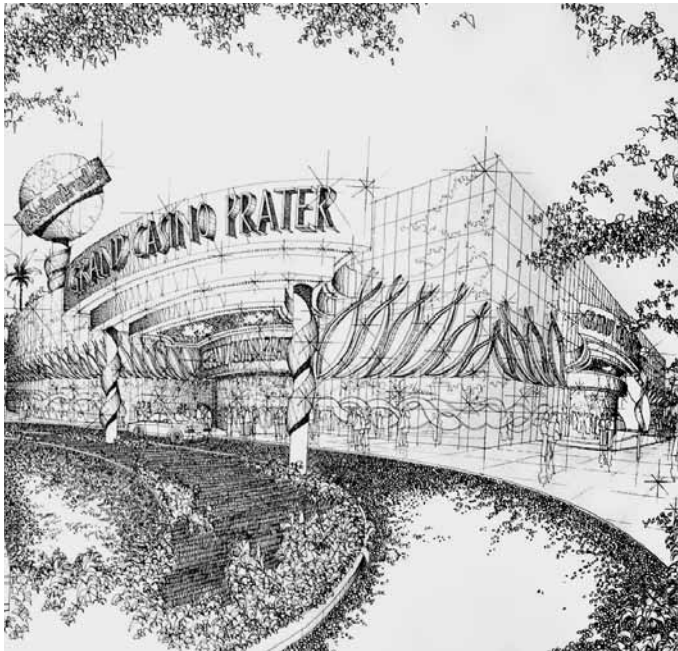
Casino Admiral® Prater serves as a conceptual model for the establishment of further betting casinos planned by the NOVOMATIC Group throughout Europe. With an investment of approx. EUR 20 million, NOVOMATIC has created an exclusive themed betting casino which offers visitors free entry to varied gaming and entertainment opportunities and upscale catering over 2,700 m². The casino architect Guillermo Gomez Moron, who also works in Las Vegas, was responsible for the betting casino design in the style of the Egyptian pharaohs.

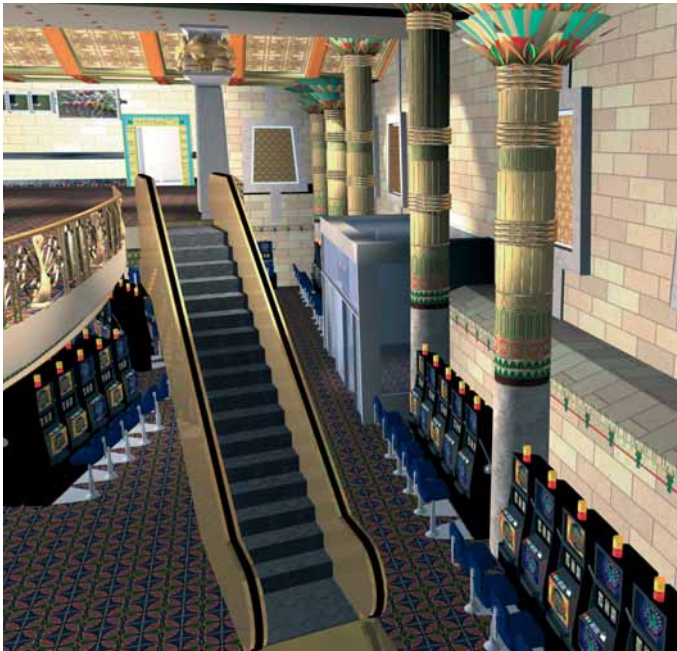
International sporting events are broadcast live across two floors on big screens. In addition to a range of betting offers, Casino Admiral® Prater boasts more than 300 of NOVOMATIC's high-tech electronic gaming machines. A special guest service team focusses on providing players with a memorable entertainment experience and is on hand to provide information at any time and explain the various games and betting opportunities to interested newcomers. In addition to musical appearances, the stage at Casino Admiral® Prater is also used for autograph sessions, regulars' tables with local sporting heroes, and interviews with celebrity guests. The concept has been enthusiastically received by local Viennese players and tourists alike, with Europe's largest betting casino enjoying a constantly rising number of visitors. In addition to the Casino Admiral® Prater flagship operation, NOVOMATIC AG operates electronic casinos through its subsidiaries in Germany, Hungary, the Czech Republic, Estonia, Latvia, Croatia and Romania.

In Germany, NOVOMATIC's operational market position was further expanded in 2005 with the acquisition of Extra-Games Entertainment GmbH. Extra Games operates 21 electronic casinos in Bavaria and Baden-Württemberg. In Croatia, the number of electronic casinos in the year under review was increased to 14 (2004: 4). NOVOMATIC plans to expand this number to 50 casinos in 2006. (Eight additional electronic casino operations had already been opened at the time of finalising this report.) In Latvia, NOVOMATIC operates approx. 2,600 electronic gaming machines in 102 electronic casinos through its subsidiary Alfor. Alfor's position as market leader in Latvia is likely to be further strengthened. Operational expansion is also underway in Estonia. By the end of 2006, ten further electronic casinos are due to be added to the existing seven. Further, the company plans to enter the Lithuanian operational market in 2006.

NOVOMATIC AG's specialist sports betting subsidiary Admiral Sportwetten AG is the Austrian betting shop market leader. Admiral Sportwetten operates 150 locations in Austria, with a market share of more than 50%. Admiral Sportwetten has a strong brand identity with a high recognition factor. Admiral's varied range of betting offers provides attractive odds and opportunities to place betting-in-running wagers. Additional offers, such as the Admiral Card or the Bonuscard and live broadcasts on big screens, as well as comprehensive catering, appeal to an ever-increasing audience interested in sports and betting.







NOVOMATIC is a global Group whose multicultural, multinational employees are considered its most important capital. The success of the NOVOMATIC Group is largely based on the ability of its employees to be active and act globally in a multicultural working atmosphere. NOVOMATIC consciously encourages this attitude and set of values through relevant personal development training courses.

NOVOMATIC views continued further training offers for employees in their area of speciality as an essential building block for the global success of the Group's products. NOVOMATIC sets great store by its advanced training programme, which has been tailored to the needs of individual employees. Training requirements are determined in regular discussions with employees, and corresponding training measures are arranged in line with these.

The aim is to offer employees the chance to both broaden their knowledge and to develop themselves personally, in order to be able to avail themselves of the opportunities for promotion offered within the Group.

Intercultural exchange within the workforce is part of everyday life at NOVOMATIC and strengthens the feeling of belonging within the Group. Flat hierarchies throughout the Group and the close integration of the individual companies promote open communication between managers and employees. This ensures a high degree of transparency and creativity in the company.

NOVOMATIC has also established new standards as regards staff skills for betting shop employees at NOVOMATIC's subsidiary Admiral Sportwetten. Specialised recruiting procedures and thorough further education programmes ensure that Admiral employees meet the varied requirements of their job as betting shop employees with direct customer contact.

Along with advanced training measures, the health of its workforce is an important concern for NOVOMATIC. Among other things, NOVOMATIC offers in-house medical care and spurs on sports enthusiasts through sponsoring.

Flexible working time models and special support programmes aim to facilitate the return to work for employees on maternity/paternity leave and support the compatibility of a career and family.

In 2005, NOVOMATIC AG had 3,497 employees (2004: 2,737) on average. Of these, 505 (2004: 500) were employed in the Gumpoldskirchen location at Austrian Gaming Industries GmbH. The NOVOMATIC Group headquarters in Lower Austria is thus one of the largest employers in the region. The jobs in the Novomatic Group are not only the most secure in Austria, but they also stand out from the crowd due to an excellent working atmosphere and a modern working environment.



The Regulatory Environment

36

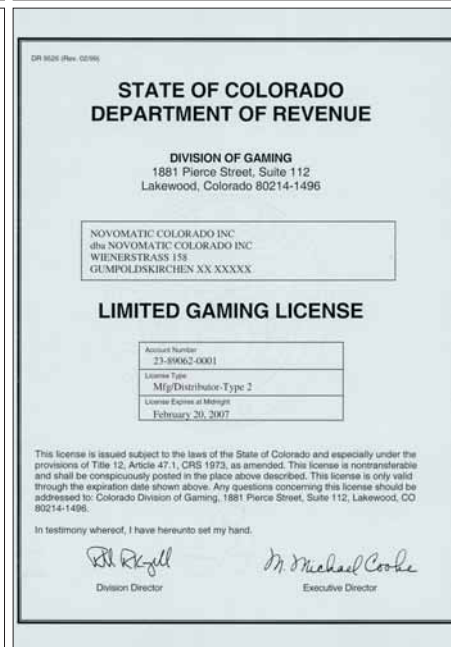
For the NOVOMATIC Group, legal security is one of the basic tenets of economic trading. For this reason, NOVOMATIC has only ever engaged in markets where clear legal and regulatory conditions exist. The international gaming industry is one of the fastest-growing areas in the leisure and entertainment segment. NOVOMATIC continues to lobby for the establishment of clear and concise legal frameworks and regulatory guidelines at a national and international level, in order that this development may take place in a socio-politically responsible, controlled manner.

Gaming is still the only market segment in the European Single Market for which there is no standard directive. Gaming remains specifically excluded from the planned European Union Services Directive. NOVOMATIC calls for and supports rapid harmonisation of European gaming law, with a focus on deconstruction of existing monopolies, rather than the complete deregulation of gaming.

Such a European Union gaming directive should set high regulatory standards, including: strict licensing of providers, creation of regulatory authorities, establishing standards for technical security and providing player protection, and compliance with transparent award guidelines for the allocation of franchises. Further, taxation of gaming income in accordance with the consumer country principle would avoid undesired national tax outflows until such time that tax harmonisation has taken place. The landmark "Gambelli" ruling of the European Court of Justice (ECJ) on 6 November 2003 classified gaming activities such as the staging of lotteries, casino or slot machine games and sports betting as services within the meaning of Community law. This stipulates that the provision of international services may only be hindered for compelling reasons in the public interest. In line with this, national monopolies or potential anti-trust oligopolies must adhere to regulatory objectives - such as customer protection - to be justified. National restrictions must also be appropriate, coherent and consistent. The member states of the European Union will therefore have to examine monopoly regulations for conformity with this decision.

In a recent study, the Swiss Institute of Comparative Law developed a model for regulation of the European Union's gaming market and will present this proposal to the European Commission in 2006. The study also examines in detail the conditions dominating the Single Market at present, and shows that player protection objectives and state tax income provided by monopoly operators has long been massively undermined by online providers.

In addition to economic certainty and fair conditions for gaming companies, NOVOMATIC's calls for a standard directive for all providers would in no small measure contribute to player protection – a cause that NOVOMATIC has taken upon itself as part of its long-standing socio-political responsibility programme.



The NOVOMATIC Group avows without restriction its assumption of social responsibility as a large industrial group. The Group has a social responsibility towards its employees, customers and business partners, and to the public at large. NOVOMATIC has instituted and relies upon diverse activities to meet its social responsibilities.

Preventing addiction

The issue of preventing addiction is also a particularly important concern for NOVOMATIC as part of its joint regulatory responsibility. NOVOMATIC calls for extensive examination of non-substance-related addiction in order that efficient and targeted prevention measures may be taken. For many years NOVOMATIC has been working closely with the Interdisciplinary Research Group on Addiction Berlin (ISFB), which specialises in research on the mechanisms of non-substance-related addictions. Together with Admiral Sportwetten, a new global training programme was developed on the basis of the research results. The programme trains employees to identify at-risk customers early on. Preventative measures can thus be introduced at as early a stage as possible. NOVOMATIC has set new standards in player protection with this programme in the gaming operations sector and in sports betting. There are plans to intensify the training programme. Cooperation with relevant advisory and research institutes for addiction prevention will be strengthened nationally and internationally.

NOVOMATIC also proposes that a national information platform be set up to provide extensive information on the risks of non-substance related abusive behaviour and potential therapy and prevention offers via a homepage and additional media.

NOVOMATIC will continue to support research institutes devoted to these types of problems. In Austria, NOVOMATIC will primarily sponsor the execution of representative empirical and epidemiological research.

NOVOMATIC continues to support the Vienna-based self-help association AS (Gamblers Anonymous) and the association ASS (Gamblers Anonymous Salzburg).

Culture and arts sponsorship

At home and abroad, the Company supports numerous projects on the arts and culture scene under the slogan "NOVOMATIC brings culture into play".

For instance, NOVOMATIC cooperates with the International Organisation of Folk Art (IOV). The subsidies of this UNESCO member organisation flow into national and international projects.

NOVOMATIC is also the key cultural sponsor in the community of Gumpoldskirchen where NOVOMATIC AG is headquartered. As part of an annual cooperation project, the funds provided by NOVOMATIC are used for cultural activities.

NOVOMATIC sponsors a large number of Austrian arts and culture projects nationwide.

In the Group's own Hotel Admiral am Kurpark in Baden, NOVOMATIC has offered artists the opportunity to present their paintings and exhibits since 1996 in private viewing to a discerning public.

In music, NOVOMATIC's commitment extends from support of the Graz Symphony Orchestra through selective sponsoring, such as that of the event commemorating the 50th anniversary of the Volksoper Vienna, in addition to an annual cooperation project with the Viennese rock music festival Planet Musik. NOVOMATIC's own Casino Admiral® Prater is a popular location for young jazz musicians to play.

Sports sponsorship

NOVOMATIC provides sports sponsorship primarily through its subsidiary Admiral Sportwetten AG. It is the main sponsor of the Admiral Cup in Vienna - a traditional football tournament that takes place around Christmas. It also supports various football clubs and training camps.

Sports for the disabled is another important cause for NOVOMATIC. By supporting Wolfgang Schattauer and Markus Schmoll - two extremely successful hand bikers - and sponsoring the Paralympics, NOVOMATIC strives to set an example for the recognition and appreciation of sports for the disabled as high-performance activities.

Academic sponsorship

In 2006, NOVOMATIC will strengthen its commitment in academic sponsorship with the Life Science Award, following the global success of the "Kempelen Project" supported by NOVOMATIC at the University of Applied Arts in Vienna. The academic project focused on "Magic and Enlightenment" and will continue for a further two years.

i.convienna

NOVOMATIC acted as the co-partner at i.convienna, which was held in February 2006. The international specialist convention for innovation, information and consulting with a focus on the CEE took place from 13 to 16 February 2006 in Vienna. A total of 2,000 visitors from 40 countries attended lectures by experts - of which there were more than 250 - on the subjects of management consulting, IT/public sector industries, infrastructure, environmental technologies, urban technologies (CORP), mobile business, brand management and real estate. The main highlight of i.convienna was the subject-specific conference on corporate social responsibility, which in line with its corporate principles is of special concern to NOVOMATIC. The conference was Austria's largest on the topic to date. Expert international speakers invited the public to open discussions on the topic of corporate social responsibility.

Life Science Award

NOVOMATIC is the main sponsor of the newly-created Life Science Award, which will be awarded by the specialist magazine Chemie-Report for the first time in autumn 2006. The best research or scientific achievement in the field of life sciences and biotechnology will be singled out. The prize is EUR 10,000. The aim of the award is to support young scientists and researchers, to boost Austria's international ability to compete whilst promoting long-term sustainability.

Social funds

In 2005, the Admiral Charity Foundation was set up to mark NOVOMATIC's 25th anniversary. Using the funds provided by NOVOMATIC, the Foundation promotes and supports non-profit initiatives and projects, such as measures to help the disabled. Contributions are allocated by a specially established committee.

Financial Report
Novomatic AG Group

Management Report

Single Entity and Consolidated Financial Statements 2005
NOVOMATIC AG, Gumpoldskirchen (Austria)

1. Basic economic conditions

At 1.9%, Austrian economic growth in 2005 remained almost stable at the previous year's level (2004: 2.0%). With growth of 3.8%, exports remained a key driver of economic development. Consumer growth also picked up again for the first time after years of stagnation and reached 1.4%. Only investment demand remained weak at 1.1%.

According to consistent assessment, all indicators suggest that the strong pace of growth will continue - the prospects for the EU zone are positive. The German economy is also likely to have overcome its growth crisis. In light of this, the Institute for Advanced Studies (IHS) expects a growth rate of 2.5% in its forecast of the Austrian economy for 2006.

2. Development and trends in the gaming industry

Overall, the gaming industry continues to enjoy annual growth of approx. 3% worldwide. The discussions held relating to new legal regulations for online casinos, which have been highly controversial at times, have strongly impacted the industry, particularly in the European Union. Submarkets that are primarily relevant to the Group will continue to record substantially higher growth.

The European gaming industry is one of the biggest in the world. Over 30% of the global sales in the gaming industry are generated in the European market. This figure was said to be approx. USD 165 billion in 2005, according to studies carried out by Global Gaming and Betting Consultants. The growth rate amounts to approx. 2.7% p.a.

According to a study by the consulting firm Goldmedia, EUR 3.3 billion is said to have been generated in 2005 from online gaming in Germany alone - that would be 35% more than in the previous year. In contrast, only approx. EUR 1 billion was taken in at the gaming tables and machines in 2005 - less profits - according to estimates. However, in the casinos the trend towards a further shift from table gaming to slot machines continued. For slot machines, the shift from reel to video machines with new, additional features is set to continue.

3. General corporate development of NOVOMATIC AG

In the 25th year since it was founded, NOVOMATIC AG was chosen as "Leading Company 2005" in the global player category both throughout Lower Austria and Austria by PriceWaterhouseCoopers, the Kreditschutzverband (KSV – Austrian Credit Protection Association) and the leading business newspaper Wirtschaftsblatt. In addition, the Austrian 2005 Brand Value Study listed NOVOMATIC AG in fifteenth place with a brand value of approx. EUR 750 million among Austria's top brands and as the leading brand with the largest growth potential in the weighted area amongst the Austrian leisure

providers. In October 2005, NOVOMATIC AG also successfully placed a bond with a volume of EUR 150 million which is partially invested in further acquisitions and the expansion of R&D networks.

3.1. Production sector

In the mid-90s NOVOMATIC founder Prof Johann F. Graf envisioned a hybrid product set combining the fascination and attraction of table gaming with the infinite possibilities of modern technologies. This became the basis for a directed research and development effort. Subsequent marketing and product introduction by the subsidiary Austrian Gaming Industries GmbH (AGI®) has led to a world market leadership position in the area of so-called Electronic Live Games and multiplayer equipment. This position was further extended in the past year.

In addition to electronic live game equipment, the tremendous success of the Gaminator® in particular, with booming sales worldwide, played a decisive role in the revenue growth and consolidation of market positioning. For example: in March, AGI® provided approx. 70% of the equipment for the new "Ellipse Spandau" casino in Berlin and delivered all the equipment for Casino Admiral® Prater in Vienna. Deliveries for Casino Tolmin in Slovenia and the Solverde Group in Portugal followed in April. The new Bad Wiessee casino which opened in May also placed full confidence in the products of AGI® and in June the first Gaminator® machines in Greece were installed in Casino Rhodos.

Licenses granted in July in France and in the Canadian province of Alberta opened up new sales markets. South Africa was the focus of August with the delivery of large TouchBet® systems to Meropa Casino and Entertainment World in the Limpopo region as well as to the Caledon Casino Western Cape. It is noteworthy that following regulatory changes in the UK in autumn the AGI® subsidiary NOVO Gaming UK was able to significantly increase its market share, establishing extremely positive prospects in the longer term. With over 200 terminals, the largest TouchBet® system in the world - supplied by AGI® - went live in November in the Genting Highlands Resort Casino in Malaysia. Multiplayer systems from AGI® based on the Novo Unity™ platform continue their market success in Germany. The new Erfurt casino of Westspiel Casinos was the first to install a unique multiplayer combination of a Novo TouchBet® Live-Roulette system and a Novo Multi-Roulette™ system, with both systems accessible from the same player terminals. The record gaming turnover in the Czech Republic showcases the development of the markets in Eastern Europe: in 2005 more than CZK 90 billion (EUR 3 billion) was generated in revenue, up CZK 7 billion on 2004. Gaming machines and sports betting were most popular while casinos with table games suffered a loss.

3.2. Operative sector

The close cooperation of the NOVOMATIC Group with the Interdisciplinary Research Group on Addiction Berlin (ISFB), which emerged from the long-time cooperation with the Institute of Clinical

Psychology at the Humboldt University in Berlin, continues to bear fruit. Dr Sabine Miriam Grüsser together with NOVOMATIC succeeded in achieving a milestone in the field of sports betting with the development of a specialised training programme for Admiral Sportwetten AG. Admiral Sportwetten is the only bookmaker worldwide to provide its personnel with training for the prevention and early detection of potential addiction-endangered gamblers. This training is to be further intensified. It is foreseen that responsible gaming will continue to play a role of ever-increasing importance. Therefore, cooperation with all relevant advisory and research institutes for addiction prevention will be strengthened. The cooperation with Stiftung Deutsche Sporthilfe through Spielbanken Investitions- und Management GmbH (SIM) continues to hold promise for the near future.

The absolute operational highlight in the period under review was the opening of Europe's largest betting casino – the Casino Admiral® Prater in Vienna. With more than 300 high-tech gaming machines comfortably placed in the stunning 2,700-square-metre floor space, the new flagship of the Admiral® Entertainment brand unites leading-edge sports betting equipment from Admiral Sportwetten with electronic gaming entertainment and first-class catering.

The acquisition of Extra-Games Entertainment GmbH in Pfullendorf, Baden-Württemberg, with a total of 21 electronic gaming locations in Bavaria and Baden-Württemberg, enabled further consolidation and strengthening of the market position in Germany along with that of the AGI® subsidiary NSM-Löwen Entertainment GmbH in Bingen.

In Hungary, AGI® now operates six Admiral® casinos via its subsidiaries.

In Croatia the groundwork for further expansion was laid with the addition of management resources. The number of gaming halls rose from four to fourteen within the period under review.

In Latvia, 2,600 machines are already in operation in 102 electronic gaming locations. The subsidiary Alfor – the largest installer with the most machines in Latvia since October 2004 – further extended its market leadership position.

Further expansion activities included the acquisition of shares in a company in San Marino and the establishment of a company in Slovenia. Furthermore, the expansion of several subsidiaries was supported through the granting of loans.

The expansion of Admiral Sportwetten AG (ASW) also continued unabated in 2005. Including local sales partners, ASW now has more than 150 locations and a market share of 50%.

Finally, the introduction of regulated limited prize electronic gaming machines in Lower Austria with so-called video network terminals (VNT™) also provided an encouraging and new stimulus.

4. Financial performance indicators

4.1. Net assets

a) Single-entity financial statements

Total assets rose in comparison with 31 December 2004 by EUR 196.0 million to EUR 271.9 million. This rise can be ascribed on the asset side to an increase in fixed assets of EUR 129.8 million to EUR 181.5 million. Investments in fixed assets primarily relate to the shares in affiliated companies, which increased by EUR 110.5 million year-on-year to EUR 125.9 million.

The further expansion of NOVOMATIC AG is also reflected in current assets. Current assets rose by EUR 65.4 million to EUR 89.5 million. Receivables from affiliated companies climbed EUR 35.4 million to EUR 58.3 million. In addition, cash and cash equivalents increased from EUR 0.6 million to EUR 22.5 million.

The share capital of the company amounts to EUR 26.0 million. It rose by EUR 4.0 million against the previous year due to a capital increase implemented from corporate funds. Including the capital reserves (EUR 1.0 million), the profit reserves (EUR 1.6 million), the net retained profits (EUR 74.0 million) and the untaxed reserves (EUR 0.2 million), the company's own funds rose to EUR 102.7 million. Own funds account for 37.8% of the total capital compared with 68.3% in the previous year.

Debt rose during the course of the financial year by EUR 145.1 million to EUR 169.1 million. The most significant change is the increase in liabilities from bonds by EUR 150.0 million due to the issuance of a bond.

b) Consolidated financial statements

Total assets rose in comparison with 31 December 2004 by EUR 229.5 million to EUR 495.5 million. This rise can be ascribed on the asset side to an increase in fixed assets of EUR 56.3 million to EUR 162.2 million. The investments principally affect land and buildings (EUR 24.7 million), technical equipment and machinery (EUR 18.2 million) as well as shares in associated companies (EUR 5.0 million).

The expansion of the Group is also reflected in current assets. The current assets rose by EUR 163.8 million. Inventories increased by EUR 14.5 million and trade receivables by EUR 11.9 million. Cash and cash equivalents rose by EUR 118.8 million, mainly as a result of the above-mentioned bond issue.

The total equity rose by EUR 69.5 million to EUR 186.6 million, EUR 4.4 million of which is attributable to minority interests. In addition, total equity consists of the share capital of the parent company amounting to EUR 26 million, the capital reserves amounting to EUR 1.0 million, the profit reserves amounting to EUR 7.1 million and consolidated net retained profits amounting to EUR 145.5 million. Own funds account for 37.7% of the total capital compared with 44.0% in the previous year.

Debt rose during the course of the financial year by EUR 160.0 million to EUR 308.9 million. The most significant changes were due to the above-mentioned issue of a corporate bond in the amount of EUR 150.0 million. Further changes relate to the EUR 17.9 million increase in provisions. The increase in the tax provisions amounted to EUR 3.3 million and the rise in other provisions to EUR 13.2 million.

4.2. Financial position

a) Single-entity financial statements

In 2005, operating activities provided EUR 25.6 million, including changes in the working capital. In 2005, the net cash used in investing activities amounted to EUR 133.7 million. Important reasons for the outflow of funds were capital increases and loans in foreign subsidiaries and investments in land and buildings. The net cash provided by financing activities in 2005 was EUR 129.9 million and primarily due to the bond issue. Overall, cash and cash equivalents increased from EUR 0.6 million as at the end of 2004 to EUR 22.5 million as at the end of 2005.

b) Consolidated financial statements

Across the Group, net cash provided by the 2005 operating activities amounted to EUR 98.7 million, including changes in working capital.

In 2005, the net cash used in the Group's investing activities amounted to EUR 92.8 million. The most important reasons were investments in tangible assets.

The net cash provided by financing activities amounted to EUR 112.8 million in 2005. Therefore the cash and cash equivalents in the whole Group increased by EUR 119.0 million to EUR 157.4 million as at the end of 2005.

4.3. Results of operations

a) Single-entity financial statements

The sales of NOVOMATIC AG increased during the course of the past financial year by EUR 4.0 million to EUR 17.0 million. The major performers were rental revenue from real estate, management fees, licence revenue and sales from the provision of personnel. Sales-related licence and trademark protection fees in turn recorded a considerable increase due to the positive economic development of the subsidiary.

Personnel expenses, amounting to EUR 1.4 million, increased in comparison with the previous year by EUR 0.1 million. Other operating expenses rose by EUR 4.4 million. The most significant increase concerned marketing expenses.

The ordinary operating earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by EUR 0.5 million to EUR 6.1 million.

The financial result increased by EUR 48.7 million to EUR 64.1 million. Due to increased investment activity, write-downs rose by EUR 0.9 million to EUR 3.9 million. The result before taxes therefore improved by EUR 47.3 million to EUR 66.3 million. After deduction of taxes on income amounting to EUR 0.4 million, the net income for the year amounted to EUR 65.9 million.

b) Consolidated financial statements

In financial year 2005, the total operating performance of the Group increased by approx. EUR 188.9 million to EUR 695.1 million, EUR 645.5 million of which relates to sales.

A sales input increase of EUR 51.6 million to EUR 287.9 million can be attributed to the expansion of production. The personnel expenses in 2005 of the Group amounted to EUR 104.8 million, thus approx. 15.1% of total performance (16.1% in the previous year). Other operating expenses rose by EUR 37.4 million to EUR 134.5 million. The most significant increases relate to rental and leasing expenses, as well as advertising and marketing costs.

The ordinary operating earnings before interest, taxes, depreciation and amortisation (EBITDA) thus rose by approx. EUR 76.9 million to EUR 167.9 million.

The negative financial result increased by EUR –1.8 million to EUR –2.5 million. Due to increased investment activity, write-downs rose across the Group by EUR 4.8 million to EUR 26.3 million.

The result before income taxes improved by EUR 74.4 million in comparison with the previous year. After deduction of taxes on income amounting to EUR 27.8 million, the net income for the year in the Group amounted to EUR 106.6 million.

5. Important activities after the balance sheet date

A letter of comfort dated 22 May 2006 was issued by NOVOMATIC AG to Admiral Sportwetten AG to reinforce the liquidity and solvency of Admiral Sportwetten AG.

In addition, an increase in the share capital at the subsidiary AS Novoloto by EUR 3.4 million (converted amount) from the current EUR 1.8 million to EUR 5.2 million was resolved by way of a Board of Directors resolution dated 1 March 2006.

6. Developments after balance sheet date

6.1. Production sector

The G-Rex™ – developed in 2005 and presented as a world premiere at ICE 2006 in London as another groundbreaking idea of the industrialist and NOVOMATIC founder Prof Johann F. Graf - is the first-ever electronic gaming machine to offer three screens and thus make possible a completely new array of game variations. Through this innovation and the presentation of a large number of new games,

AGI® maintains its position at the leading edge of the international gaming industry, highlighting the continued trend for modern electronic gaming machines to focus on delivering entertainment value and content.

Once again it is thanks to the substantial investments in research and development of AGI®, the many years of experience, the extensive industry know-how and the foresight of NOVOMATIC founder Prof Johann F. Graf that AGI® is set to continue its growth through 2006. Based on the new Novo Unity™ technology, a new era was introduced in multiplayer systems. With the revolutionary Novo Multi-Table Roulette™ AGI again offers a highlight in the broad range of roulette products. The brilliant combination of “live game fascination” with “high-level” technology fits perfectly into the market niche of decreasing table gaming and the worldwide boom of electronic gaming machines.

Based on these pioneering works of technology and graphic design, the attractive game presentations backed by a worldwide service and distribution network, efforts are made to conquer more substantial shares of present markets and to enter new markets. With the innovative power of the Group, its well-known reliability and the confidence the NOVOMATIC Group enjoys internationally, AGI® has tackled 2006 with justified optimism.

The cable harness factory that is under construction in Veskeny, near Sopron, will commence full operations in the summer of 2006.

6.2. Operative sector

Expansion in the area of casino operations through various legal and investment concepts will be further pursued throughout Europe and beyond. Market entry is due to take place in autumn this year in Lithuania. Expansion in Croatia, Romania and Latvia will be continued on a large scale.

In Croatia, the number of electronic casinos which rose from 14 to 22 during the first six months of 2006, is set to be expanded to up to 50 electronic gaming locations.

In Romania, 20 Admiral® casinos are due to open their doors by the end of 2006. In Hungary, preparations are underway to set up a third casino location.

In Estonia, ten additional operations are due to be added to the seven existing electronic machine casinos by the end of 2006. At present, two new operations have already been opened.

In Germany, the Kurfürstengalerie location will be further expanded during the summer of 2006. There are plans to increase the number of machines from 160 to approximately 210. Additionally, table games will be on offer in the newly expanded gaming area.

7. Research and development

In 2005 the NOVOMATIC Group again expanded its competence network. The R&D centre at the Group's headquarters in Gumpoldskirchen forms the core into which all the threads from the research and development centres in Poland, Germany and the UK run together – with further expansion

planned for 2006. As in the previous year, new technological milestones were presented on schedule at ICE 2006 (International Casino Exhibition), the most important event in the European gaming industry calendar. In the stand-alone electronic gaming machine category, G-Rex™ was exhibited as the first-ever gaming machine worldwide with three TFT screens and was enthusiastically received by the international audience. With this innovation AGI® has once again advanced game design possibilities by several years. This is made possible by a newly-developed game platform with higher performance, superlative graphics on up to three screens, and superior sound - enabling a host of new and innovative gaming concepts. Mosquitozzz™ was presented as the first of a new breed of game incarnations to fully exploit the features of G-Rex™, with a large number of customers placing their orders. In addition to this exciting new game for three screens, another ten future bestsellers were presented at the start of 2006. They will be followed in the course of the year by further game creations, which will ultimately find their way into gaming locations worldwide. To continue to do justice to the slogan "NOVOMATIC leads, others follow", the development rate in the area of game design will be significantly increased in the current financial year in order to constantly offer customers the widest range of diverse game concepts in the industry.

AGI® again showcased its innovative side in the area of multiplayer roulette systems at the beginning of the year. The Novo Wheel Info Display enables casino operators to provide statistical information of interest to all players, such as the last winning numbers, hot and cold numbers, and an overview of wheel and even-chance statistics - all in compact form presented on a single display in stunning graphics. This new product is compatible with all roulette products and can be used for displays measuring up to 61 inches.

Another multiplayer terminal offering, the Novo Tableau, which is a newer version of the space-saving B&G™ terminal presented in 2004 (betting and gaming terminal), was also made ready for the market. Like the B&G™ terminal, it offers operators of gaming locations the largest amount of flexibility in terms of leveraging the respective space opportunities and the option of offering attractive modern technologically advanced machines.

8. Risks

8.1. Legislative risks

Legislative risks may arise from dependency on and amendments to laws, guidelines and regulations, particularly in licensing for operation of gambling facilities and in production, sales and product licenses. There may also be risks involved in the areas of product liability, and consumer protection. Risks may also arise from the non-uniform regulatory requirements stemming from the renewed focus on the prevention of money laundering internationally.

8.2. Change in consumer behaviour

Due to the varied leisure and entertainment offerings available, consumer behaviour changes are to be expected on an ongoing basis. As a result of this, product adjustments and new innovations are required constantly to sustain position in target markets. It cannot be ruled out that customer or consumer desires might not be recognised, or might not be recognised in a timely manner.

8.3. Technology change risk

NOVOMATIC AG operates in a technologically advanced market in which new technologies are developed or adopted in short innovation cycles. It cannot be ruled out that innovative technologies and developments might not be recognised or might not be recognised in a timely manner.

8.4. Operating risks

The risks of an interruption of business and financial loss as a result of fire and break-in are covered by an all-risk insurance policy.

9. Financial instruments

Shares in affiliated companies, receivables from affiliated companies and payables to affiliated companies form essential financial instruments of NOVOMATIC AG. To monitor the loan loss risk, the Board of Directors is informed by regular reporting from the Group's Financial Control department about the Company's relevant developments. The Group's Financial Control department also keeps the Board of Directors informed of current earnings performance by regular reporting. The current earnings performance is compared monthly to the approved annual budget and examined for variances. As a result, the loan loss risk or liquidity risk can be considered to be low.

Other financial instruments used at NOVOMATIC AG are the ongoing monitoring of changes in trade receivables. To minimise the loan loss risk for trade receivables, compliance with the periods for payment granted to customers are monitored on an ongoing basis. If the period for payment is exceeded, the management is informed immediately who in turn initiate appropriate recovery measures.

The high levels of cash resulting from business activities are protected against fraud by internal control measures.

Current trade payables are paid from the cash flow. Sufficient credit lines exist at the house banks for liquidity squeezes. Based on the Group's credit rating, credit line increases can be negotiated at any time if required.

To protect against interest rate risks, current interest rate developments are constantly observed. Adjustments are made immediately in the event of changes. In addition, a forward rate swap was concluded in August 2005 as a measure against rising interest rates over a term of seven years.

As the financial instruments of the individual companies follow the orientation of the whole Group, they are also used as instruments throughout the Group. The loan loss risks, the current earnings performance, the deviations from the approved annual budget, etc are examined from the perspective of the Group and reported monthly to the Board of Directors.

10. Non-financial performance indicators | Employee matters

As at 31 December 2005, the NOVOMATIC Group had 3,912 employees and NOVOMATIC AG 14 members of staff. Low fluctuation and long-term employment relationships confirm NOVOMATIC's attractiveness as an employer. As high-quality standards can only be guaranteed with extremely well-trained employees, ongoing training sessions and continuing education were amongst the main aims of NOVOMATIC AG in 2005. All the relevant positions in NOVOMATIC AG were filled with highly qualified candidates. Ongoing activities to attract staff will ensure the future staff needs and internal growth of the Group.

11. Expression of thanks

Special thanks are due to all workers and employees of NOVOMATIC AG and of the subsidiaries who have made possible the continued success of the Group. Special thanks in particular go to the owner as well as to the Supervisory Board: they have made a significant contribution to the positive development of the AG and have again laid the basis for a successful future. The good relationships with investors and business partners which have formed the basis for prosperous and agreeable cooperation should be mentioned. Especially in an industry where conditions continue to change rapidly and where customers demand quality, there is a need for special efforts, mutual confidence and cooperation in order to realise and achieve common goals. Once again all involved have proven to the highest degree their abilities to do so.

Gumpoldskirchen (Austria), 6 June 2006

Franz Wohlfahrt

Chairman of the Board
of Directors

Ryszard Presch

Member and Deputy Chairman
of the Board of Directors

Peter Stein

Member of the Board
of Directors

Consolidated Balance Sheet

as at 31 December 2005

Assets

| | 31/12/2005 EUR | 31/12/2004 TEUR |
|---|-----------------------|--------------------|
| A. Fixed assets | | |
| I. Intangible assets | | |
| 1. Concessions, industrial property rights and similar rights and values, as well as licenses thereto | 8,537,508.78 | 5,005 |
| 2. Goodwill | 494,636.09 | 744 |
| 3. Payments on account | 63,479.43 | 965 |
| | 9,095,624.30 | |
| II. Tangible assets | | |
| 1. Land and buildings, including buildings on third party land | 62,144,992.74 | 37,399 |
| 2. Technical equipment and machinery | 46,091,052.62 | 27,904 |
| 3. Other equipment, factory and office equipment | 22,659,793.62 | 15,162 |
| 4. Payments on account and assets under construction | 7,351,403.14 | 8,620 |
| | 138,247,242.12 | |
| III. Financial assets | | |
| 1. Shares in affiliated companies | 467,037.05 | 393 |
| 2. Shares in associated companies | 7,018,397.51 | 1,994 |
| 3. Equity investments | 377,864.53 | 484 |
| 4. Loans to other investees and investors | 966,136.01 | 1,876 |
| 5. Long-term investments | 2,574,110.27 | 1,760 |
| 6. Other loans | 3,461,851.56 | 3,556 |
| | 14,865,396.93 | |
| | 162,208,263.35 | 105,862 |
| B. Current assets | | |
| I. Inventories | | |
| 1. Raw materials | 17,995,906.80 | 13,287 |
| 2. Work in progress | 8,227,602.03 | 8,423 |
| 3. Finished goods and goods for resale | 20,626,274.87 | 14,895 |
| 4. Services not yet invoiced | 0.00 | 2 |
| 5. Payments on account | 4,351,195.02 | 76 |
| | 51,200,978.72 | |
| II. Receivables and other assets | | |
| 1. Trade receivables | 76,760,306.27 | 64,812 |
| 2. Receivables from affiliated companies | 976,287.74 | 1,608 |
| 3. Receivables from other investees and investors | 975,095.82 | 1,951 |
| 4. Other receivables and assets | 29,634,280.07 | 9,695 |
| | 108,345,969.90 | |
| III. Securities classified as current assets | 708,881.40 | 500 |
| IV. Cash, bank deposits | 156,664,664.84 | 37,874 |
| | 316,920,494.86 | 153,123 |
| C. Prepaid expenses | 16,388,021.32 | 7,017 |
| | 495,516,779.53 | 266,002 |

Equity and liabilities

| | 31/12/2005 EUR | 31/12/2004 TEUR |
|---|-----------------------|--------------------|
| A. Equity | | |
| I. Share capital | 26,000,000.00 | 22,000 |
| II. Capital reserves | | |
| Tied up | 976,371.00 | 976 |
| III. Profit reserves | | |
| 1. Legal reserve | 1,623,629.00 | 1,224 |
| 2. Other reserves (free reserves) | 31,262,805.44 | 31,263 |
| 3. Positive/negative difference from capital consolidation | - 25,778,823.78 | - 2,828 |
| | 7,107,610.66 | |
| IV. Adjustment item for currency translation | - 219,275.40 | - 401 |
| V. Net retained profits thereof carried forward EUR 43,059,269.51 (PY: EUR 24,137 thousand) | 145,528,400.98 | 62,059 |
| VI. Minority interests | 7,237,538.62 | 2,850 |
| | 186,630,645.86 | 117,143 |
| B. Provisions | | |
| 1. Provisions for severance payments | 4,237,600.66 | 3,515 |
| 2. Pension provisions | 6,826,686.79 | 6,165 |
| 3. Tax provisions | 18,050,001.36 | 14,738 |
| 4. Other provisions | 32,740,560.15 | 19,583 |
| | 61,854,848.96 | 44,001 |
| C. Liabilities | | |
| 1. Bonds | 150,000,000.00 | 0 |
| 2. Liabilities to banks | 35,655,166.18 | 55,689 |
| 3. Payments received on account of orders | 2,196,496.29 | 1,451 |
| 4. Trade payables | 18,409,615.35 | 22,839 |
| 5. Liabilities to affiliated companies | 157,003.75 | 79 |
| 6. Liabilities to other investees and investors | 36,683.49 | 15 |
| 7. Other liabilities thereof taxes EUR 10,090,667.88 (PY: EUR 6,010 thousand) thereof social security EUR 2,000,732.56 (PY: EUR 2,045 thousand) | 39,886,779.65 | 24,624 |
| | 246,341,744.71 | 104,697 |
| D. Deferred income | 689,540.00 | 161 |
| | 495,516,779.53 | 266,002 |
| Contingent liabilities | 1,416,010.80 | 16,193 |

Consolidated Income Statement

for the financial year from 1 January 2005 to 31 December 2005

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| | 2005 EUR | 2004 TEUR |
|--|-------------------------|---------------|
| 1. Sales | 645,528,111.39 | 470,751 |
| 2. Change in finished goods, inventories, work in progress and services not yet invoiced | 6,463,232.50 | 2,050 |
| 3. Own work capitalised | 30,585,305.08 | 24,958 |
| 4. Other operating income | | |
| a) Gains from disposal of fixed assets excluding financial assets | 3,201,222.17 | 2,286 |
| b) Income from reversal of provisions | 510,307.11 | 974 |
| c) Other | 8,792,851.49 | 5,157 |
| | 12,504,380.77 | |
| 5. Cost of materials and production-related services purchased | | |
| a) Cost of materials | - 173,762,412.26 | - 131,331 |
| b) Distribution of profits | - 114,100,110.64 | - 104,971 |
| | - 287,862,522.90 | |
| 6. Personnel expenses | | |
| a) Wages | - 28,198,164.10 | - 21,896 |
| b) Salaries | - 53,709,293.61 | - 40,827 |
| c) Expenses for severance payments and payments to company pension scheme | - 1,586,865.48 | - 2,068 |
| d) Pension costs | - 1,181,835.67 | - 1,161 |
| e) Cost of statutory social security, payroll related taxes and mandatory contributions | - 19,473,616.89 | - 15,532 |
| f) Other social expenses | - 658,244.89 | - 347 |
| | - 104,808,020.64 | |
| 7. Amortisation of intangible assets and depreciation of fixed assets | - 26,348,201.95 | - 21,542 |
| 8. Other operating expenses | | |
| a) Taxes (excluding taxes on income) | - 34,225,269.69 | - 24,587 |
| b) Other | - 100,250,857.03 | - 72,467 |
| | - 134,476,126.72 | |
| 9. Operating income (subtotal of lines 1 to 8) | 141,586,157.53 | 69,447 |

| | 2005 EUR | 2004 TEUR |
|---|-----------------------|----------------|
| 10. Investment income thereof from affiliated companies EUR 0.00 (PY: EUR 100 thousand) | 30,879.39 | 100 |
| 11. Result from investment in associated companies | 136,780.30 | – 1,156 |
| 12. Income from other investments and long-term loans | 320,392.48 | 350 |
| 13. Other interest and similar income | 1,877,357.63 | 1,452 |
| 14. Gains from disposal of and appreciation to financial assets | 34,466.81 | 712 |
| 15. Expenses relating to financial assets thereof write-downs EUR 234,189.46 (PY: EUR 926 thousand) thereof to affiliated companies EUR 121,552.01 (PY: EUR 351 thousand) | – 424,810.73 | – 973 |
| 16. Interest and similar expenses | – 4,404,993.53 | – 2,152 |
| 17. Financial result (subtotal of lines 10 to 16) | – 2,429,927.65 | – 1,667 |
| 18. Result from ordinary activities | 139,156,229.88 | 67,780 |
| 19. Extraordinary income | 7,000,438.77 | 0 |
| 20. Extraordinary expenses | – 11,801,504.17 | – 7,839 |
| 21. Extraordinary result | – 4,801,065.40 | – 7,839 |
| 22. Taxes on income | – 27,763,419.38 | – 21,760 |
| 23. Net income for the year | 106,591,745.10 | 38,181 |
| 24. Minority interests in net income | – 3,722,613.63 | – 259 |
| 25. Allocation to profit reserves | – 400,000.00 | 0 |
| 26. Net income for the year | 102,469,131.47 | 37,922 |
| 27. Profits carried forward from previous year | 43,059,269.51 | 24,137 |
| 28. Net retained profits | 145,528,400.98 | 62,059 |

Consolidated Financial Statements

as at 31 December 2005

Notes

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1. General

In order to present a true and fair view of the net assets, financial position and results of operations, the consolidated financial statements of Novomatic AG as at 31 December 2005 were prepared in accordance with the provisions of Sections 189–211, Sections 222–243 and Sections 244–266 of the Austrian Commercial Code as amended, observing Section 222 (2) of the Austrian Commercial Code.

a) Accounting principles

The financial statements of the companies included in the consolidated financial statements were prepared in accordance with the principle of materiality and following standard accounting principles.

Consolidation of investments was performed according to the book value method. The equity on the first-time consolidation date was carried at the amount corresponding to the book value of the assets to be included in the consolidated financial statements, the untaxed reserves, provisions, liabilities and prepaid expenses and/or deferred income after adjustment according to Section 260 (2) of the Austrian Commercial Code and was offset against the corresponding book value of the equity investment held by the parent company.

The consolidated financial statements were prepared in accordance with the relevant legal requirements and the principles of proper accounting. For measurement and presentation of the financial statements, the legal requirements of the Austrian Commercial Code were decisive.

The principles of completeness and non-arbitrariness were observed. Measurement follows the principles of proper accounting; measurement methods applied to the consolidated financial statements of the previous years were retained, measurement was based on the going concern principle, assets and liabilities were measured individually at the balance sheet date.

The principle of prudence was followed by reporting only profits realised as of the balance sheet date. All identifiable risks and imminent losses incurred during the financial year or in previous periods were accounted for.

The previously applied form of presentation was maintained when preparing these consolidated financial statements. Items of the balance sheet and the income statement showing a zero balance in the current financial year or in the previous one were not listed according to Section 223 (7) of the Austrian Commercial Code. For the income statement the total cost (type of expenditure) format was applied.

b) Companies included in consolidation

The following 35 companies – in addition to the parent company NOVOMATIC AG, Gumpoldskirchen – were fully consolidated:

| Name, Domicile | | Capital share | Equity TEUR | Result for the year TEUR |
|--|----------------------|---------------|-------------|--------------------------|
| Austrian Gaming Industries GmbH | Gumpoldskirchen (AT) | 100.00% | 203,788 | 59,902 |
| “G.A.M.E. SYS” Geldspiel-Automaten-Miet-Elektronik-System Gesellschaft mbH | Vienna (AT) | 100.00% | 1,130 | 218 |
| J + C Schaaf Spielautomatenbetriebs Ges.m.b.H | Vienna (AT) | 100.00% | 874 | 117 |
| HTM Hotel- und Tourismus Management GmbH | Gumpoldskirchen (AT) | 100.00% | 16,425 | 7,269 |
| Wett Café Betriebsgesellschaft m.b.H. | Graz (AT) | 100.00% | 5,883 | 1,487 |
| Gastronomie- u. Unterhaltungselektronik Betriebs GmbH | Klagenfurt (AT) | 100.00% | 179 | – 347 |
| IGD Software Entwicklungsges.m.b.H. | Klagenfurt (AT) | 85.00% | – 126 | – 27 |
| Sportwetten Pirker GmbH | Vienna (AT) | 88.50% | 804 | 884 |
| Admiral Betriebs GmbH | Gumpoldskirchen (AT) | 94.8928% * | 292 | – 513 |
| Admiral Sportwetten AG | Gumpoldskirchen (AT) | 94.8928% | 1,290 | – 5,776 |
| A.B.S. SA | Zabierzow (Poland) | 99.00% | 21 | 1 |
| Admiral Sport Betting (UK) Ltd. | London (GB) | 94.8928% * | – 1,375 | – 973 |
| Admiral Invest GmbH | Gumpoldskirchen (AT) | 94.8928% * | 540 | 9 |
| AS Novoloto | Tallinn (Estonia) | 100.00% | 3,013 | 513 |
| NOVO Poland Sp.z.o.o. | Lodz (Poland) | 90.00% | 1,176 | 66 |
| AGI Hungaria Kft | Győr (Hungary) | 92,11% | 2,831 | 2,159 |
| AGI American Games Kft | Győr (Hungary) | 92.11% ** | 573 | 909 |
| Alfor SIA | Riga (Latvia) | 60.00% | 16,506 | 10,122 |
| NOVO Gaming d.o.o. | Zagreb (Croatia) | 100.00% | 1,908 | 1,274 |
| Admiral International Casinos d.o.o. | Zagreb (Croatia) | 100.00% | – 801 | – 1,220 |
| ERBA d.o.o. | Zagreb (Croatia) | 100.00% | 686 | – 33 |
| SC Intertop srl. | Bucharest (Romania) | 99.00% | 49 | – 180 |
| NOVOMATIC Casino- und Automatentechnik GmbH | Berlin (DE) | 100.00% | 25,312 | 1,588 |
| NSM-Löwen Entertainment GmbH | Bingen/Rhine (DE) | 100.00% | 30,791 | 18,666 |
| NSM Immobilien GmbH & Co. KG | Bingen/Rhine (DE) | 100.00% | 1,913 | 418 |
| NOVO Gaming UK Ltd. | Bridgend (GB) | 100.00% | 2,525 | 735 |
| ASTRA Games Holding Ltd. (Subgroup) | Bridgend (GB) | 90.00% | 5,176 | 4,212 |
| OOO HTL Posledni Per. | Moscow (RU) | 99.00% | 10,542 | 1,152 |
| NOVO Gaming d.o.o. | Ljubljana (SI) | 100.00% | – 121 | – 130 |
| HT Management d.o.o. | Sezana (SI) | 100.00% | 2,785 | – 162 |
| Admiral Kasino Mediteran d.o.o. | Kozina (SI) | 100.00% | 437 | – 1 |
| HTL Ukraine LCC | Kiev (UA) | 100.00% | 2,924 | 52 |
| Extra Games Entertainment GmbH | Pfullendorf (DE) | 80.00% | 4,084 | – 141 |
| SC NOVO Invest CO srl. | Bucharest (Romania) | 99.00% | 210 | – 11 |
| Trust company | Austria | 60.00% | 748 | 138 |

* Wholly-owned subsidiary of Admiral Sportwetten AG

** Wholly-owned subsidiary of AGI Hungaria Kft.

The merger of Cafe Kärntner Wettbüro GmbH with Gastronomie und Unterhaltungselektronik Betriebs GmbH as at 1 January 2005 had no effect on the companies included in consolidation.

The following eight companies, in which a majority interest was acquired in the year under review, were fully consolidated for the first time in these consolidated financial statements:

Extra Games Entertainment GmbH, Admiral Betriebs GmbH, HT Management d.o.o. and the trust company were first consolidated as at 31 December 2005. Novo Investicije d.o.o., HTL Ukraine LCC, SC Novo Invest CO srl. and Admiral Kazino Mediteran d.o.o. were included in the companies consolidated on the date of their incorporation.

The following company which was first consolidated on 31 December 2004 was included in the 2005 income statement for the first time: ERBA d.o.o, ASTRA Games Holding Ltd.

Due to the increase in the number of companies included in consolidation as well as the incorporation of the above-mentioned companies, the figures of this reporting year can only be compared with the figures of the previous years to a limited extent.

The following affiliated companies were not included in the consolidated financial statements in accordance with Section 249 (2) of the Austrian Commercial Code because they were immaterial in regard to the obligation to present a true and fair view of the Group's net assets, financial position and results of operations:

| Name | Domicile | Capital share |
|---|---------------------|---------------|
| Admiral Pferdewetten Deutschland GmbH | Berlin (DE) | 94.8928% * |
| Admiral Club Ltd. | London (GB) | 100.00% |
| Admiral Financial Betting Ltd. | London (GB) | 94.8928% * |
| Fortumat Spiel- und Automatenbetriebs GmbH | Bingen/Rhine (DE) | 100.00% |
| NOVO Nevada Inc. | Nevada (USA) | 100.00% |
| NSM Immobilien Verwaltungsgesellschaft m.b.H. | Bingen/Rhine (DE) | 100.00% |
| Novogaming Vilnius UAB | Vilnius (Lithuania) | 100.00% |
| NOVOMATIC Colorado Inc | Colorado (USA) | 100.00% |
| NOVOMATIC Namibia Ltd. | Windhoek (Namibia) | 100.00% |
| Arena Sportwetten GmbH in liquidation | Feldkirch (AT) | 94.8928% * |

* Wholly-owned subsidiary of
Admiral Sportwetten AG

Information on equity and the net profit/loss for the year was omitted with reference to Section 241 (2) line 1 of the Austrian Commercial Code.

In accordance with Section 249 (1) line 2 of the Austrian Commercial Code, Admiral Leisure World Ltd. was not fully consolidated as the provision of necessary data for the preparation of the consolidated financial statements would have caused unreasonable delays and disproportionately high costs. Based on the available information this company was accounted for at equity.

The following subsidiaries accounted for at equity were shown as shares in associated companies:

| Name | Domicile | Capital share | Equity Result for the year | |
|--|-------------------|---------------|----------------------------|------|
| | | | TEUR | TEUR |
| Techno Invest sp.z.o.o. | Warsaw (Poland) | 49.00% | 98 | – 39 |
| SIM Spielbanken, Investitions- und Management GmbH | Frankfurt (DE) | 49.00% | 44 | 3 |
| SIM Spielbanken, Investitions-, Beteiligungs- und Management GmbH & Co. KG | Frankfurt (DE) | 49.00% | 7,002 | 250 |
| Fun.net Germany GmbH | Bingen/Rhine (DE) | 50.00% | 266 | 61 |
| Admiral Leisure World Ltd. (Subgroup) | Johannesburg (SA) | 95.21% | – 871 | 26 |
| H. Polanz GmbH | Graz (AT) | 50.00% | 1,056 | 134 |
| OOO “United Gaming Industries” | Kaliningrad (RU) | 50.00% | 1,029 | 0 |
| Giochi San Marino S.p.a. | San Marino | 25.54% | 6,869 | 974 |
| Estrada Polska Sp.z.o.o. | Opole (Poland) | 31.78% | 1,511 | 688 |

The first time adoption of equity accounting for four companies resulted in a positive difference of EUR 1,792 thousand.

The parent company NOVOMATIC AG and/or the subsidiaries of NOVOMATIC AG hold investments in the following companies:

| | Name | Domicile | Capital |
|--|---|-------------------|---------------------|
| | Sigert Verlag GmbH | Braunschweig (DE) | 27.90% |
| ¹ 34% investment in SIM Spielbanken Investitions- und Management GmbH & Co. KG | Spielbank Frankfurt Verwaltungs GmbH | Frankfurt (DE) | 16.66% ¹ |
| | Spielbank Flughafen Frankfurt GmbH & Co. KG | Frankfurt (DE) | 16.66% ¹ |
| ² Wholly-owned subsidiary of SIM Spielbanken Investitions- und Management GmbH & Co. KG | Kurhessische Spielbank Kassel/Bad Wildungen Verwaltungs GmbH & Co. KG | Kassel (DE) | 49.00% ² |
| | Kurhessische Spielbank Kassel/Bad Wildungen Verwaltungs GmbH | Kassel (DE) | 49.00% ² |
| ³ 51% subsidiary of SIM Spielbanken Investitions- und Management GmbH & Co. KG | Ostsee Spielbanken Verwaltungs GmbH | Stralsund (DE) | 24.99% ³ |
| | Ostsee Spielbanken GmbH & Co. KG | Stralsund (DE) | 24.99% ³ |
| ⁴ Investment in Techno Invest GmbH | Filmotechnika GmbH | Lodz (Poland) | 15.77% ⁴ |
| ⁵ 25% investment in Admiral Sportwetten AG | Casino Centrum Lodz | Lodz (Poland) | 16.33% ⁴ |
| | Aquestas Deportivas Aragon S.A. | Aragon (Spain) | 18.70% ⁵ |
| ⁶ 90% subsidiary of H. Polanz GmbH | Atlantic Gastronomiebedarf GmbH | Graz (AT) | 45.00% ⁶ |

Information on equity and the net profit/loss for the year were omitted in accordance with Section 241 (2) line 1 of the Austrian Commercial Code.

c) Principles of consolidation

All fully consolidated companies prepared their own annual financial statements as at 31 December 2005. For the consolidation of investments of the NOVOMATIC Group, the book value method was applied. In so doing, the equity of the subsidiaries at the date of first-time consolidation was offset against the relevant book value of the equity investment of the parent company.

Amounts were offset on the date on which subsidiaries were included for the first time, i.e. in the case of acquisition at the end of the relevant year, and in the case of incorporation at the point in time that the equity investment became a fully consolidated company.

Companies which were subject to consolidation at first preparation of the consolidated financial statements of NOVOMATIC AG, were first consolidated on 1 January 1999. All remaining positive and

negative differences as a result of offsetting the equity of subsidiaries against the relevant book value of the equity investment held by the parent company at the date of first consolidation were offset in accordance with Section 254 (3) Sentence 3 of the Austrian Commercial Code.

All equity accounting was performed according to the book value method. The value of the equity investment and the differences are based on the values at the date of the first incorporation as an associated company in the consolidated financial statements. The methods of valuation of the associated company were not adapted to the corporate policy.

In the consolidation of intragroup balances, loans, trade receivables and other receivables are offset against the corresponding liabilities. All intragroup expenses and income, as far as they concern the expenses and income of fully consolidated companies, were eliminated in the consolidation of income and expenses. Under observance of the principle of materiality, interim results from the sale of inventories and assets to other Group companies were eliminated and recognised in income.

d) Currency translation

The currency of the Group is the euro. The annual financial statements of foreign subsidiaries are converted into euros using the modified closing rate method, at the middle rate. Balance sheet items are converted at the closing rate and those of the income statement at the mean rate for 2005. Deviations between assets and income conversions are adjusted with effect on the income statement. Changes in equity at the historic exchange rate on the date of first-time consolidation are adjusted via an adjustment item for currency translation.

2. Consolidated balance sheet disclosures

a) General

Continuing the allocation of assets and liability items according to Group instructions, minor changes were made to the classification of some items, as compared to the balance sheet of the previous year, although the balance sheet was not essentially affected compared with the previous year.

b) Fixed assets

Intangible and tangible assets were carried at cost less straight-line depreciation and amortisation. For internally-generated assets, proportional overheads for material and production are also included in addition to the directly attributable costs. Amortisation and depreciation rates follow the useful life of the relevant asset item, which is estimated at between 25 and 50 years for buildings and between 10% and 33% for the remaining tangible assets. Financial assets are carried at cost.

Equity investments are written down in the case of:

- Persistent deterioration of earnings
- Necessity of support activities by shareholders
- Deficient means and measures upon acquisition
- Restructuring activities that do not materialise into substantial profits in the near future
- Losses that can no longer be removed by means of the equity investment.

Long-term investments were measured at cost or at the lower quoted market price on the balance sheet date. The statement of changes in fixed assets is presented at the end of the Notes to the Consolidated Financial Statements.

Breakdown of individual items:**Intangible assets**

The intangible assets of EUR 9,096 thousand essentially include rental rights and software of approx. EUR 8,536 thousand. Software of own production, goodwill and product know-how were eliminated in the amount of approx. EUR 4,181 thousand (compared with approx. EUR 4,035 thousand in the previous year) in the elimination of intercompany profits.

Goodwill of approx. EUR 495 thousand was amortised in line with the Group instructions.

Furthermore, down payments regarding software for various equipment and programmes in the amount of approx. EUR 63 thousand are included in this item.

Tangible assets

Tangible assets of approx. EUR 62,145 thousand (PY: approx. EUR 37,399 thousand) include land, buildings, buildings on third party land and tenant's investments. Furthermore, tangible assets contain technical equipment and machinery (essentially money gambling machines) of approx. EUR 46,091 thousand (PY: approx. EUR 27,904 thousand), factory and office equipment of approx. EUR 22,653 thousand (PY: approx. EUR 15,149 thousand) and assets under construction of approx. EUR 7,351 thousand (PY: approx. EUR 8,620 thousand). The real property value of the Group's properties amounts to approx. EUR 9,793 thousand. Intercompany profits were eliminated at a net book value as at 31 December 2005 in the total amount of approx. EUR 21,966 thousand (PY: approx. EUR 8,106 thousand).

Financial assets

Financial assets amounting to approx. EUR 467 thousand (PY: approx. EUR 393 thousand) related to non-consolidated affiliated companies. They include further shares in associated companies at approx. EUR 7,018 thousand (PY: approx. EUR 1,994 thousand) that were accounted for at equity. In addition there are other equity investments in the amount of approx. EUR 378 thousand as well as long-term investments of approx. EUR 2,574 thousand. Furthermore, the fixed assets contain loans to other investees and investors with a book value of approx. EUR 966 thousand (PY: approx. EUR 1,876 thousand) and other loans of approx. EUR 3,462 thousand (PY: EUR 3,555 thousand). These long-term equity claims concern profit-related loans to be paid off by casino operators in the Federal Republic of Germany. The valuation allowance as at 31 December 2005 amounted to EUR 793 thousand (PY: EUR 1,157 thousand).

c) Current assets

Inventories

Inventories are measured at cost while observing the lower of cost or market principle. When computing the manufacturing costs of semi-finished and finished products, directly attributable costs and proportional overhead costs for production and material logistics were included. If the fair value was lower, a write-down was charged. Write-downs were recognised for old dated drawing of material from stock (non-moving items), an above-average range of coverage and lower purchase prices at the balance sheet date.

Receivables and other assets

Receivables and other assets are carried at their principal amount. In the case of identifiable individual risks, the probable recoverable amount was applied. The following table shows the breakdown of the individual receivables by maturity. All receivables are due within five years:

| | 31 December 2005 | | | 31 December 2004 | | |
|---|------------------|------------------------------|---------------------------------------|------------------|------------------------------|---------------------------------------|
| | Total TEUR | Due within 1 year TEUR | Due after more than 1 year TEUR | Total TEUR | Due within 1 year TEUR | Due after more than 1 year TEUR |
| 1. Trade receivables | 76,760 | 76,734 | 26 | 64,811 | 64,281 | 530 |
| 2. Receivables from affiliated companies | 976 | 976 | 0 | 1,608 | 1,608 | 0 |
| 3. Receivables from other investees and investors | 975 | 975 | 0 | 1,952 | 1,271 | 681 |
| 4. Other receivables and assets | 29,634 | 27,007 | 2,627 | 9,695 | 7,579 | 2,116 |
| Total | 108,345 | 105,692 | 2,653 | 78,066 | 74,739 | 3,327 |

Longer-term receivables are discounted at a refinancing rate of 6%. A flat-rate valuation allowance of 2% was employed for all open and non-secured net receivables to cover general credit risks. In the annual financial statements, this amounted to approx. EUR 738 thousand (PY: EUR 719 thousand). EUR 412 thousand of the receivables from affiliated companies (EUR 976 thousand) is attributable to trade receivables. EUR 425 thousand of the receivables from other investees and investors (EUR 975 thousand) related to trade receivables.

Prepaid expenses

Deferred tax assets of approx. EUR 9,829 thousand (PY: EUR 3,717 thousand) were recognised as prepaid expenses.

d) Equity

In accordance with Section 253 of the Austrian Commercial Code, consolidated equity was presented inclusive of the untaxed reserves disclosed in the single-entity financial statements. Positive and negative differences were offset directly against the reserves as these are based on profit or loss carryforwards generated in previous years.

Capital consolidation resulted in positive differences of EUR 37,256 thousand and negative differences of EUR 13,270 thousand, which result in a positive difference of EUR 23,986 thousand when netted against each other. Capital consolidation for the new fully-consolidated subsidiaries led to a positive difference of EUR 5,328 thousand and a negative difference of EUR 721 thousand. Changes in shares at existing subsidiaries led to a further positive difference of EUR 16,551 thousand.

Measurement at equity resulted in positive differences of EUR 2,003 thousand and negative differences of EUR 211 thousand, which resulted in a positive difference of EUR 1,793 thousand when netted against each other.

| Positive differences | in TEUR |
|---|---------------|
| Austrian Gaming Industries GmbH | 288 |
| HTM Hotel- und Tourismus Management GmbH | 976 |
| Gastronomie- u. Unterhaltungselektronik Betriebs GmbH | 1,538 |
| NOVOMATIC Casino- und Automatentechnik GmbH | 387 |
| Admiral Sportwetten AG | 17,147 |
| Admiral Sport Betting (UK) Ltd. | 380 |
| AS Novoloto | 71 |
| NOVO Poland Sp.z.o.o. | 164 |
| IGD Software Entwicklungsges.m.b.H. | 76 |
| Sportwetten Pirker GmbH | 1,401 |
| AGI Hungaria Kft | 753 |
| AGI American Games Kft | 47 |
| Alfor SIA | 541 |
| NOVO Gaming d.o.o. | 197 |
| Admiral International Casinos d.o.o. | 935 |
| ERBA d.o.o. | 35 |
| SC Intertop srl. | 533 |
| NSM Immobilien GmbH & Co. KG | 1,454 |
| NOVO Gaming UK Ltd. | 224 |
| ASTRA Games Holding Ltd. (Teilkonzern) | 4,771 |
| HTL Ukraine LCC | 9 |
| Extra Games Entertainment GmbH | 1,812 |
| Admiral Betriebs GmbH | 3,458 |
| Trust company | 59 |
| | 37,256 |

| Negative differences | in TEUR |
|--|---------------|
| "G.A.M.E. SYS" Geldspiel-Automaten-Miet-Elektronik-System Gesellschaft mbH | 4 |
| J + C Schaaf Spielautomatenbetriebs Ges.m.b.H. | 10 |
| Wett Café Betriebsgesellschaft m.b.H. | 313 |
| A.B.S. SA | 7 |
| NSM-Löwen Entertainment GmbH | 12,215 |
| HT Management d.o.o. | 721 |
| | 13,270 |

e) Other liabilities

Observing the prudence principle, all risks identifiable on the balance sheet date and uncertain liabilities in terms of amount or origin were taken into account in the provisions at the amounts required in the judgement of a prudent business man in the provisions.

Provisions for severance payments

The provision for severance payments of the Austria-based Group companies was determined in line with financial mathematic principles at a discount rate of 3.5%, assuming a retirement age of 60 for female employees and 65 for male employees. Deductions based on fluctuations were not considered.

Provisions for pensions

Pension provisions were calculated in line with actuarial principles at an interest rate of 4.5% and 5% respectively, taking adjustments of amounts into account.

Tax and other provisions

The tax provisions primarily involve provisions for corporate income tax amounting to approx. EUR 17,488 thousand (PY: approx. EUR 14,318 thousand) and provisions for deferred taxes of approx. EUR 562 thousand (PY: approx. EUR 420 thousand). Other provisions in the amount of approx. EUR 32,741 thousand (PY: approx. EUR 19,583 thousand) take into account all risks identifiable in the prudence of a businessman and uncertain liabilities. These consist of restructuring work of approx. EUR 2,351 thousand, legal, auditing and consulting fees of approx. EUR 1,583 thousand, impending losses of approx. EUR 1,814 thousand, outstanding purchase invoices of approx. EUR 1,412 thousand, jubilee accruals of approx. EUR 1,209 thousand, other personnel provisions (e.g. holiday pay, employee bonuses, time credits) of approx. EUR 10,866 thousand, selling provisions (e.g. guarantees, rebates and customer bonuses and an obligation to take back equipment) of approx. EUR 9,253 thousand and miscellaneous other provisions of approx. EUR 4,253 thousand.

Liabilities

Liabilities are measured at their redemption amount on the balance sheet date. Any increases as a result of foreign currency rate changes were taken into account at the higher of cost or market.

The following table shows a breakdown of the individual liabilities by maturity:

| 31 December 2005 | Total | Due within 1 year | Due after more than 1 year | Due after more than 5 years |
|--|----------------|----------------------|-------------------------------|--------------------------------|
| 1. Bonds | 150,000 | 0 | 0 | 150,000 |
| 2. Liabilities to banks | 36,655 | 12,048 | 18,119 | 5,488 |
| 3. Payments received | 2,196 | 2,196 | 0 | 0 |
| 4. Trade payables | 18,410 | 18,378 | 32 | 0 |
| 5. Liabilities to affiliated companies | 157 | 157 | 0 | 0 |
| 6. Liabilities to other investees and investors | 37 | 37 | 0 | 0 |
| 7. Other liabilities | 39,887 | 37,741 | 1,923 | 223 |
| Total | 246,342 | 70,557 | 20,074 | 155,711 |

in TEUR

| 31 December 2004 | Total | Due within 1 year | Due after more than 1 year | Due after more than 5 years |
|--|----------------|----------------------|-------------------------------|--------------------------------|
| 1. Bonds | 0 | 0 | 0 | 0 |
| 2. Liabilities to banks | 55,689 | 17,878 | 20,328 | 17,483 |
| 3. Payments received | 1,451 | 1,451 | 0 | 0 |
| 4. Trade payables | 22,839 | 22,811 | 28 | 0 |
| 5. Liabilities to affiliated companies | 79 | 79 | 0 | 0 |
| 6. Liabilities to other investees and investors | 15 | 15 | 0 | 0 |
| 7. Other liabilities | 24,624 | 22,615 | 2,009 | 0 |
| Total | 104,697 | 64,849 | 22,365 | 17,483 |

in TEUR

Details on the type of collateral securities furnished:

| Type of collateral securities furnished | Reg. number | Land register | Pledge amount | Total amount of liabilities for collateral securities |
|---|-------------|---------------------|---------------|---|
| Loan mortgage | 729 | Baden | 908,410.43 | 0 |
| Maximum-sum mortgage | 3133 | Gumpoldskirchen | 2,325,530.70 | 0 |
| Loan mortgage | 214 | Simmering | 1,598,802.35 | 0 |
| Maximum-sum mortgage | 3184 | Gumpoldskirchen | 3,000,000.00 | 2,777,793.20 |
| Loan mortgage | 601 | Wilten BG Innsbruck | 689,000.00 | 525,573.99 |

in EUR

A lien has also been entered to Reg. number 2836 of the property on Kanal 11 in Gumpoldskirchen of EUR 2,125,860 which is jointly liable with Reg. number 3184 Gumpoldskirchen.

Other financial obligations

The lease obligations and obligations from the Group's rental contracts amount to approx. EUR 12,942 thousand (PY: EUR 7,758 thousand) for next year and approx. EUR 60,125 thousand (PY: EUR 32,093 thousand) for the next five years.

Contingent liabilities

A total amount of EUR 1,416 thousand (PY: EUR 16,193 thousand) can be disclosed as contingent liabilities to third parties. These mainly relate to liabilities as at 31 December 2005 from the issuance and endorsement of bills.

The purchase guarantee for shares of the affiliated company Admiral Sportwetten AG reported in 2004 at approx. EUR 697 thousand came into effect this year. The repurchase price was EUR 850 thousand.

3. Consolidated income statement disclosures

a) General

For the income statement the total cost (type of expenditure) format was applied. Individual items were reclassified in some cases to better follow the Group instructions. Overall, presentation of the income statement only changed marginally compared with the previous year.

b) Sales

| Breakdown by type of sales EUR million | 2005 | 2004 |
|---|--------------|--------------|
| Income from machines and related sales as well as other sales | 222.5 | 145.8 |
| Sales of products and merchandise | 274.9 | 185.2 |
| Income from catering | 7.7 | 4.8 |
| Betting sales | 140.4 | 135.0 |
| Total | 645.5 | 470.8 |

Sales are not broken down by geographical market in accordance with Section 237 (9) of the Austrian Commercial Code as this was likely to disadvantage the Group companies in the judgement of a prudent businessman.

c) Extraordinary result

The extraordinary result disclosed in the annual financial statements relates to NSM Löwen Entertainment GmbH and is composed as follows:

| Extraordinary income EUR thousand | 2005 | 2004 |
|--|---------------|--------------|
| VAT refund based on European Court of Justice ruling | 7,000 | 0 |
| Extraordinary expenses EUR thousand | | |
| Debtor warrant | 8,866 | 5,068 |
| Restructuring: personnel | 1,558 | 2,195 |
| Other restructuring expense | 1,377 | 576 |
| Total | 11,801 | 7,839 |

d) Taxes on income

At EUR 33,733 thousand, taxes on income relate to the current financial year (PY: EUR 22,506 thousand) less deferred taxes of approx. EUR 5,970 thousand (PY: EUR 746 thousand).

Approx. EUR 113.5 million (PY: EUR 55.4 million) of intragroup sales was eliminated in the consolidated income statement as part of consolidation.

4. Other disclosures**a) Average number of employees per year**

| | 2005 | 2004 |
|-----------------------|--------------|--------------|
| Hourly-paid employees | 1,584 | 1,078 |
| Salaried employees | 1,913 | 1,659 |
| Total | 3,497 | 2,737 |

b) Details of the management of the parent company

The members of the Board of Directors during the financial year and until the date of the audit were:

- Franz Wohlfahrt, Chairman
- Ryszard Presch, Deputy Chairman
- Peter Stein, Member (from 1 April 2006)

The following were members of the Company's Supervisory Board:

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

c) Details of financial instruments

As regards the issue of the bond in October 2005, an interest rate swap was concluded in August 2005 at a notional amount of EUR 150 million with a final maturity date of 11 October 2012 to secure this level of interest over the maturity of the bond. The actual interest return amounts to approx. 4%. The cash value including interest rates was calculated at EUR 2,367 thousand at the expense of the Company as at 31 December 2005. To protect against interest range changes, interest rate swaps were also concluded at a national value of EUR 5 million with a final maturity date of 10 September 2006

or EUR 2 million with a maturity date of 30 September 2009. This results in a cash value including interest of EUR -48 thousand as at 31 December 2005.

The market value corresponds to the value which would have to be paid or received upon reversal of the transaction at the balance sheet date. Past cash flows (interest payments) remain unconsidered. Future cash flows from variable payments as well as discount rates are calculated on the basis of generally accepted financial mathematical models.

d) Board of Directors remuneration and meeting attendance fees of the Supervisory Board

In financial year 2005, the members of the Board of Directors received gross salaries amounting to EUR 316 thousand. Advances, loans and liabilities for the Board of Directors members were not granted. In the year under review, the remuneration of the Supervisory Board members amounted to EUR 15,300. A provision in the amount of EUR 126 thousand was allocated for the fictitious severance claims of the Board of Directors and executive employees. For members of the Board of Directors and executive employees, provisions for current and potential pensions of EUR 346 thousand (PY: EUR 171 thousand) were recognised as at 31 December 2005.

e) Particular information for German public limited companies (Aktiengesellschaft)

The share capital of EUR 26,000,000.00 is divided between the following bearer shares:

| Number of shares | Nominal amount per share in EUR | Total nominal share value in EUR |
|------------------|---------------------------------|----------------------------------|
| 18 | 1,000,000 | 18,000,000 |
| 68 | 100,000 | 6,800,000 |
| 120 | 10,000 | 1,200,000 |
| | | 26,000,000 |

Gumpoldskirchen, 6 June 2006
NOVOMATIC AG

Franz Wohlfahrt

Chairman of the Board of Directors

Ryszard Presch

Member and Deputy Chairman of the Board of Directors

Peter Stein

Member of the Board of Directors

Auditors' Report

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We have audited the consolidated financial statements of NOVOMATIC AG, Gumpoldskirchen, for the financial year from 1 January 2005 to 31 December 2005. The preparation and content of these consolidated financial statements and the Group management report in accordance with the Austrian Commercial Code is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the Group management report is consistent with the consolidated financial statements.

We conducted our audit in accordance with the legal provisions applicable in Austria and with Austrian generally accepted auditing principles. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, and to make a statement as to whether the Group management report is consistent with the consolidated financial statements. In determining the audit procedures, we considered our knowledge of the business and of the economic and legal environment in which the Group operates as well as expectations of possible errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles applied and significant estimates made by the legal representatives, as well as evaluating the presentation of the overall consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, based on the findings of the audit, the consolidated financial statements of NOVOMATIC AG comply with the legal provisions and give a true and fair view of the net assets and financial position of the Group as at 31 December 2005 and of the results of its operations and its cash flows for the financial year beginning on 1 January 2005 and ending on 31 December 2005 in accordance with the Austrian principles of proper accounting. The Group management report is consistent with the consolidated financial statements.

Vienna, 6 June 2006

Deloitte
Wirtschaftsprüfungs GmbH

Michael Heller
Auditor

ppa. Christoph Waldeck
Auditor

Financial Statements Novomatic AG

Balance Sheet

as at 31 December 2005

Assets

| | 31/12/2005 EUR | 31/12/2004 TEUR |
|--|-----------------------|--------------------|
| A. Fixes assets | | |
| I. Intangible assets | | |
| Concessions, industrial property rights and similar rights and values, as well as licenses thereto | 6,897,635.38 | 4,993 |
| II. Tangible assets | | |
| 1. Land, buildings and improvements in third-party buildings | 27,711,999.20 | 14,933 |
| 2. Factory and office equipment | 541,456.98 | 235 |
| 3. Assets under construction | 380,618.93 | 6,223 |
| | 28,634,075.11 | |
| III. Financial assets | | |
| 1. Shares in affiliated companies | 125,867,313.38 | 15,390 |
| 2. Loans to affiliated companies | 11,645,930.71 | 1,800 |
| 3. Equity investments | 3,286,650.00 | 1,743 |
| 4. Loans to other investees and investors | 0.00 | 1,877 |
| 5. Long-term investments | 1,705,522.54 | 999 |
| 6. Other loans | 3,461,851.56 | 3,469 |
| | 145,967,268.19 | |
| | 181,498,978.68 | 51,662 |
| B. Current assets | | |
| I. Receivables and other assets | | |
| 1. Trade receivables | 229,612.73 | 3 |
| 2. Receivables from affiliated companies | 58,328,664.66 | 22,953 |
| 3. Receivables from other investees and investors | 40,985.54 | 0 |
| 4. Other receivables and assets | 8,423,484.13 | 452 |
| | 67,022,747.06 | 646 |
| II. Cash, bank deposits | 22,459,208.11 | 24,054 |
| | 89,481,955.17 | |
| C. Prepaid expenses | 880,339.72 | 109 |
| | 271,861,273.57 | 75,825 |

Equity and liabilities

| | 31/12/2005 EUR | 31/12/2004 TEUR |
|---|-----------------------|--------------------|
| A. Equity | | |
| I. Share capital | 26,000,000.00 | 22,000 |
| II. Capital reserves (tied up) | 976,371.00 | 976 |
| III. Profit reserves | | |
| Legal reserve | 1,623,629.00 | 1,224 |
| IV. Net retained profits (thereof carried forward EUR 8,438,101.31 PY: EUR 9,964 thousand) | 73,962,616.80 | 27,438 |
| | 102,590,616.80 | 51,638 |
| B. Untaxed reserves | | |
| Revaluation reserve from write-downs | 183,653.93 | 169 |
| C. Provisions | | |
| 1. Provisions for severance payments | 141,578.37 | 88 |
| 2. Pension provisions | 217,626.00 | 0 |
| 3. Tax provisions | 0.00 | 1,341 |
| 4. Other provisions | 277,662.31 | 136 |
| | 636,866.68 | 1,565 |
| D. Liabilities | | |
| 1. Bonds | 150,000,000.00 | 0 |
| 2. Liabilities to banks | 9,764,107.42 | 14,825 |
| 3. Trade payables | 1,280,383.97 | 1,678 |
| 4. Liabilities to affiliated companies | 2,941,503.60 | 3,280 |
| 5. Other liabilities | | |
| a. thereof taxes | 44,650.16 | 101 |
| b. thereof social security | 17,518.08 | 15 |
| c. other | 4,429,972.93 | 2,554 |
| | 4,492,141.17 | |
| | 168,478,136.16 | 22,453 |
| | 271,861,273.57 | 75,825 |
| Contingent liabilities | 9,274,020.12 | 27,430 |

Income Statement

for the financial year from 1 January to 31 December 2005

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| | 2005 EUR | 2004 TEUR |
|--|------------------------|--------------|
| 1. Sales | 17,044,593.53 | 13,090 |
| 2. Other operating income | | |
| a) Gains from disposal of fixed assets excluding financial assets | 186,647.74 | 37 |
| b) Income from reversal of accruals | 75.13 | 2 |
| c) Other | 352,510.12 | 386 |
| | 539,232.99 | |
| 3. Personnel expenses | | |
| a) Salaries | – 928,269.37 | – 832 |
| b) Expenses for severance payments and payments to company pension scheme | – 58,394.28 | – 277 |
| c) Pension costs | – 217,626.00 | 0 |
| d) Cost of statutory social security payroll-related taxes and mandatory contributions | – 194,071.93 | – 173 |
| e) Other social expenses | – 5,699.47 | – 6 |
| | – 1,404,061.05 | |
| 4. Amortisation of intangible assets and tangible assets | – 3,897,948.47 | – 2,952 |
| 5. Other operating expenses | | |
| a) Taxes (excluding taxes on income) | – 89,525.66 | – 107 |
| b) Other | – 9,985,756.29 | – 5,537 |
| | – 10,075,281.95 | |
| 6. Operating income (subtotal of lines 1 to 5) | 2,206,535.05 | 3,631 |
| 7. Investment income (thereof from affiliated companies: EUR 65,003,140.89; PY: EUR 15,139 thousand) | 65,044,126.43 | 15,139 |
| 8. Income from other investments and long-term loans (thereof from affiliated companies EUR 105,074.16; PY: EUR 66 thousand) | 367,964.45 | 399 |

| | 2005 EUR | 2004 TEUR |
|--|----------------------|---------------|
| 9. Other interest and similar income (thereof from affiliated companies: EUR 428,664.87; PY: EUR 216 thousand) | 743,057.63 | 216 |
| 10. Gains from disposal of and appreciation to financial assets | 15,374.54 | 678 |
| 11. Expenses relating to financial assets (thereof write-downs: EUR 4,033.34; PY: EUR 604 thousand) | - 147,650.58 | - 604 |
| 12. Interest and similar expenses (thereof from affiliated companies: EUR 122,887.05; PY: EUR 128 thousand) | - 1.934,531.45 | - 486 |
| 13. Financial result (subtotal of lines 7 to 12) | 64,088,341.02 | 15,342 |
| 14. Result from ordinary activities | 66,294,876.07 | 18,973 |
| 15. Taxes on income | - 355,332.86 | - 1,704 |
| 16. Net income for the year | 65,939,543.21 | 17,269 |
| 17. Dissolution of untaxed reserves | | |
| a) Revaluation reserve from write-downs | 11,603.94 | 9 |
| b) Other untaxed reserves | 0.00 | 198 |
| | 11,603.94 | |
| 18. Allocation to untaxed reserves Revaluation reserve from write-downs | - 26,631.66 | - 2 |
| 19. Allocation to profit reserves | - 400,000.00 | 0 |
| 20. Net profit for the year | 65,524,515.49 | 17,474 |
| 21. Profit carried forward from previous year | 8,438,101.31 | 9,964 |
| 22. Net retained profits | 73,962,616.80 | 27,438 |

Auditors' Report

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We have audited the annual financial statements of NOVOMATIC AG, Gumpoldskirchen, for the financial year from 1 January 2005 to 31 December 2005 including the accounting. The accounting, preparation and content of these consolidated financial statements and the management report in accordance with the Austrian Commercial Code is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on these annual financial statements based on our audit and to state whether the management report is consistent with the annual financial statements.

We conducted our audit in accordance with the legal provisions applicable in Austria and with Austrian generally accepted auditing principles. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement, and to make a statement as to whether the management report is consistent with the annual financial statements. In determining the audit procedures, we considered our knowledge of the business and of the economic and legal environment in which the Company operates as well as expectations of possible errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in accounting and in the annual financial statements. An audit also includes assessing the accounting principles applied and significant estimates made by the legal representatives, as well as evaluating the presentation of the overall annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, based on the findings of the audit, the annual financial statements of NOVOMATIC AG comply with the legal provisions and give a true and fair view of the net assets and financial position of NOVOMATIC AG as at 31 December 2005 and of the results of its operations and its cash flows for the financial year beginning on 1 January 2005 and ending on 31 December 2005 in accordance with the Austrian principles of proper accounting. The management report is consistent with the annual financial statements.

Vienna, 6 June 2006

Deloitte
Wirtschaftsprüfungs GmbH

Michael Heller
Auditor

ppa. Christoph Waldeck
Auditor

Report of the Supervisory Board of NOVOMATIC AG

for the financial year 2005

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In its meetings held during the course of the financial year 2005, the Supervisory Board was regularly informed by the Board of Directors on the business policy and dealt thoroughly with the course of the business and the position of the Company.

The annual financial statements as at 31 December 2005 and the Management Report of the Board of Directors, to the extent that it explains the annual financial statements, have been examined under consideration of the accounting by Deloitte Wirtschaftsprüfungs GmbH, which was appointed as the auditor by the Annual General Meeting and has been issued with an unqualified audit opinion. The examination of the annual financial statements by the Supervisory Board did not give rise to any objections. The Supervisory Board agrees with the proposal of the Board of Directors regarding use of the net profits from 2005. The annual financial statements drawn up by the Board of Directors were approved by the Supervisory Board and thus adopted in accordance with the Aktiengesetz (AktG – Austrian Public Companies Act).

The Supervisory Board acknowledges and thanks the Board of Directors and all employees of NOVOMATIC AG's companies for the work in financial year 2005.

Gumpoldskirchen, June 2006



Herbert Lugmayr
Chairman

This English translation of the financial statements for the year ended 31 December 2005 was prepared for the company's convenience only. It is not a binding legal translation of the German financial statements for the year ended 31 December 2005. In the case of differences between the English and the German versions the latter shall prevail.

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www.novomatic.com
Firmenbuchnummer FN 69548b

Concept Hohegger Financials

Photography Ron Cordon/Weinper & Co, Krischanz & Zeiller

Design Bueror16, Corporate Branding and Graphic Design

Print AV+ Astoria Druckzentrum GmbH

