

NOVOMATIC AG

NOVOMATIC AG

Organizational Chart of the NOVOMATIC Group of Companies*

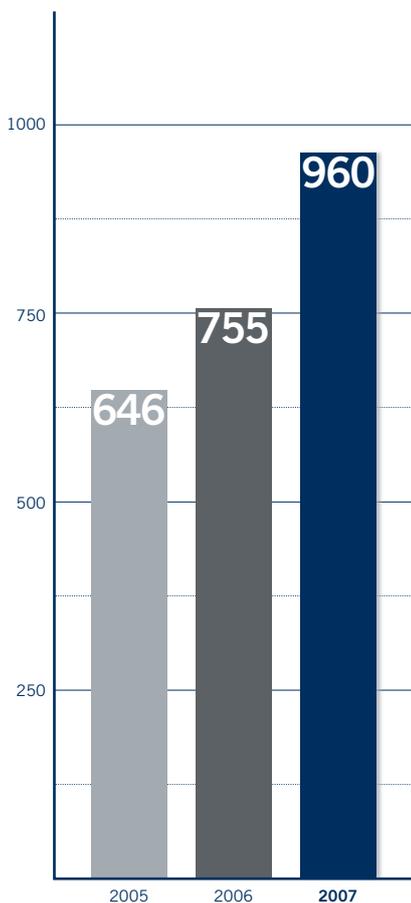


*) selected subsidiaries

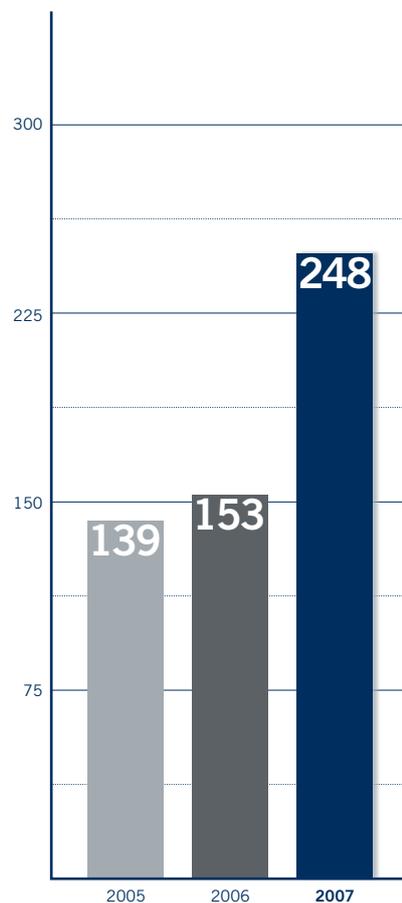
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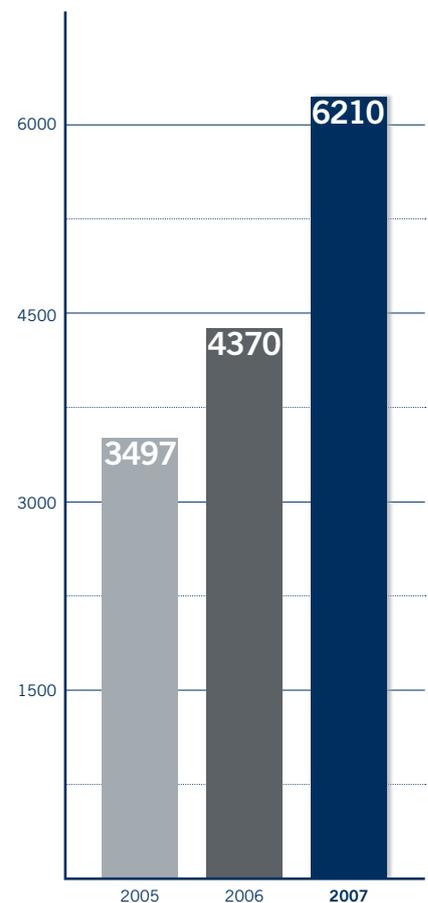
Key Figures NOVOMATIC AG (Group)



Sales revenue NOVOMATIC AG (in million EUR)



Results from ordinary business operations NOVOMATIC AG (in million EUR)



Employees NOVOMATIC AG (annual average)



Consolidated Profit and Loss Statement (in million EUR)*

	2007	2006	2005
Sales revenue	960,2	754,6	645,5
EBITDA	329,3	199,3	167,9
EBITDA margin (EBITDA/sales) in %	34,3	26,4	26,0
Earnings before interest and taxes (EBIT)	250,6	156,2	141,6
EBIT margin (EBIT/sales) in %	26,1	20,7	21,9
Results from ordinary business operations (EGT)	248,2	152,8	139,2
Consolidated annual profit after taxes	182,7	113,6	106,6

Consolidated Balance Sheet (in million EUR)*

	2007	2006	2005
Total assets	917,9	622,8	495,5
Equity capital	434,2	286,1	186,6
Equity ratio in %	47,3	45,9	37,7
Annual number of employees during the year	6.210	4.370	3.497

* Source: Annual statements on 31.12.2005 as per UGB, Annual statements on 12/31/2006 and 12/31/2007 as per IFRS

Foreword from the Founder and Majority Shareholder

Dear ladies and gentlemen,

In fiscal year 2007, NOVOMATIC AG continued along its consistent and impressive path towards success. Regardless of the ongoing discussions on the future general conditions of the international gaming industry within the European Union, the NOVOMATIC Group of Companies continued to grow as one of the largest integrated gaming corporations in the world and as the clear number one in Europe with organizational, sustainable, and responsible growth.

As the leading high-tech developer of gaming equipment, we stand by our principle in our business activities in the 27 member states of the expanded EU – and far beyond in East and Southeast Europe – of offering products, services, and gaming sites exclusively in regulated markets with clear regulatory policies and legal framework conditions.

As a globally operating group of companies, NOVOMATIC AG today is the uncontested world market leader in the field of interactive live games and multiplayer systems. It operates casinos and electronic casinos with great success, and its innovation has for many years been a showcase of how an Austrian company can stand its ground and achieve sustainable success in the world market. Now with 10,400 employees around the world, the NOVOMATIC Group is committed to Austria as its location.

Decisive for our continued success remains the commitment to innovation, creativity, quality, and ongoing development. However, the most important decisions made in the company always have something to do with people, because success can never be achieved with unsuitable people in management positions. Even with the best business ideas and outstanding products, I am particularly proud of the performance of our management.



In such a dynamically growing and rapidly changing market as the international gaming industry, there will be many thrilling challenges and opportunities in the coming years. The future belongs to server-based games and downloadable games, which is where we want to be one of the market leaders. I am firmly convinced that we can continue our successful development, not least due to the most valuable capital of the constantly growing NOVOMATIC family – its employees, who prove this on a daily basis in an impressive way with all their knowledge and skills.

Gumpoldskirchen, April 2008

Professor Johann F. Graf
Founder and majority shareholder

Foreword from the Board of Directors

Esteemed customers and business friends,

In its 27th year of existence the NOVOMATIC Group has once again managed to significantly surpass what was already a favourable result in the previous fiscal year, 2006. As a global player in the gaming industry, the NOVOMATIC Group of Companies – led by the Group holding company, NOVOMATIC AG, with its headquarters in the Lower Austrian town of Gumpoldskirchen, as well as ACE Casino Holding AG and C.S.C. Casino Systems Holding AG – has continued its dynamic growth of the past few years. Consolidated Group revenues grew to 2.1 billion Euro. It is also positive to note that the Group was able to further consolidate its position as Austria's most profitable gaming company by far and was even able to further expand it.

Technology leadership in gaming machines has once again proven to be one of the mainstays of this development. It is just as much a cornerstone of our success as the innovative concept for international networking of our seven competence centers in the area of research and development with the headquarters in Austria. With the major investment in an ultramodern center for research and development at the same location as the Group's headquarters in Gumpoldskirchen, south of Vienna, which shall be completed in autumn 2009, this innovation edge shall be further solidified.

Other milestones of the completed fiscal year that were just as encouraging were the continuation of our successful expansion strategy – from Central and Eastern Europe to Latin America and Asia – as well as a number of important acquisitions, such as Crown Technologies GmbH in Germany for example. Our second important pillar, which now has more than 700 casinos and electronic casinos, has proven itself in its role as highly successful and modernly designed entertainment centers.

With a brand value of 1.4 billion Euro, the brand of the innovative industrial group NOVOMATIC garnered a position among the top ten Austrian brands. This is due to our good reputation that is inextricably linked to terms such as success, innovation, partnership, and not least social responsibility.



Dr. Franz Wohlfahrt

DI Ryszard Presch

Mag. Peter Stein

NOVOMATIC received the Export Prize 2008 of the Austrian Chamber of Commerce and, according to the daily newspaper "Österreich", is among the best employers in the country, as it was in the previous year. This is primarily due to our employees in all parts of the world, whom we would like to thank. With their unmistakable, intercultural style of work in the corporation, they make the decisive contribution to our international successes.

We at NOVOMATIC know that running a successful and sustainable business is only possible in a society with social values and solidarity and we are committed to our social responsibility within the scope of a great variety of activities in the area of Corporate Social Responsibility. This above all applies to the numerous measures that we are taking for responsible gaming, which we want to consistently expand even further after having already implemented one of the most modern expert networks for the prevention of gaming addiction in all of Europe.

Gumpoldskirchen, April 2008

Dr. Franz Wohlfahrt
Chairman of the Board

KR DI Ryszard Presch
Deputy Chairman of the Board

Mag. Peter Stein
Member of the Board

The World of NOVOMATIC



- The NOVOMATIC Group is a globally operating group of companies, one of the largest integrated gaming companies in the world and the undisputed number one in Europe. The core of the NOVOMATIC Group is the Austrian based NOVOMATIC AG with its headquarters located in Gumpoldskirchen, Lower Austria.
- As a producer, the NOVOMATIC Group with its various business units covers the entire spectrum of the gaming market – it develops, produces, and markets high-tech gaming equipment and innovative systems solutions. In its role as an operator, NOVOMATIC also runs more than 55,000 gaming machines in more than 700 electronic casinos, casino operations and sports betting companies worldwide.
- The NOVOMATIC subsidiary, Austrian Gaming Industries GmbH (AGI), is the world market leader in the area of interactive live games and multi-player systems. It has also been the technology leader for many years in the production of ultramodern gaming machines. The basis for the worldwide success of NOVOMATIC products is an R&D investment rate that is well above the industry average, as evidenced by an impressive array of more than 800 intellectual property rights such as trademarks, patents and designs.
- This innovation edge is accomplished in seven networked competence centers in the United Kingdom, Germany, the Czech Republic, Hungary and Poland, which are all connected to NOVOMATIC AG headquarters in Austria, where the Group's R&D activities are based. These highly competitive competence centers have allowed the Group for many years to continuously launch innovative products that do justice to the slogan “NOVOMATIC leads, others follow”. These products are marketed by subsidiaries in 19 countries and exported to more than 60 countries around the world.
- The success formula as Europe's leading gaming group is primarily based on the knowledge and creativity of its employees as well as the drive of the company's founder, entrepreneur Professor Johann F. Graf: Whether innovative technical solutions, new approaches to development and design of games, or superb market knowledge – since 1980, the year when the company was founded, the NOVOMATIC range of products has convinced customers from all over the world, as well as visitors to casino operations, electronic casinos and sports betting companies operated by the Group.



The World of NOVOMATIC

- The business segments in which the Group has been active worldwide have experienced exceptionally strong growth over the past few years. Revenue growth has been clearly above overall growth rates in casino operations, electronic casinos and sports betting alike. As a manufacturer, NOVOMATIC has also benefitted from the undiminished trend shift from live gaming towards electronic gaming. Growth rates above the worldwide gaming market average were experienced above all in casinos with electronic gaming machines, video lottery terminals, fixed odds betting terminals as well as Internet gaming.





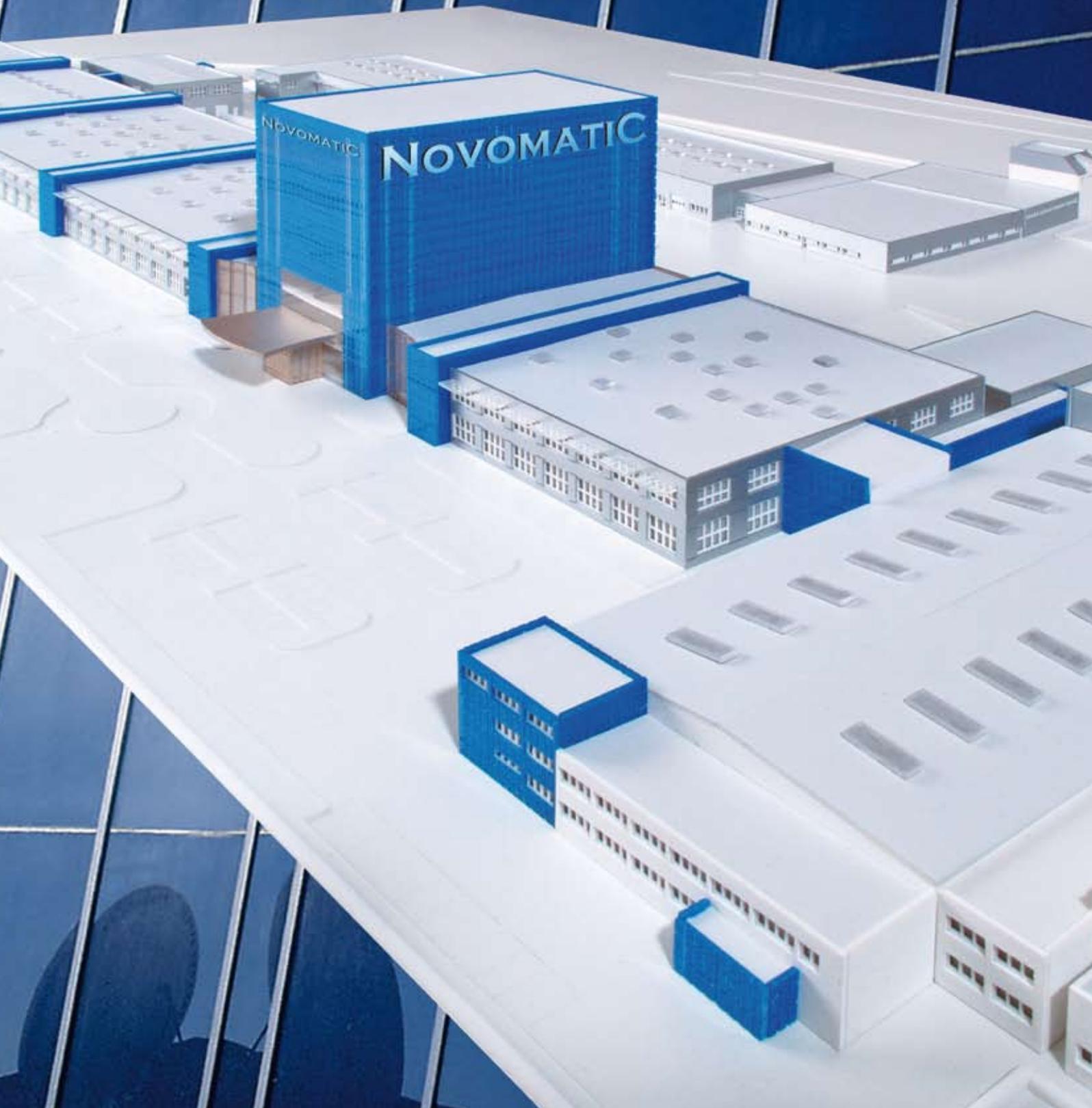
- NOVOMATIC as a highly innovative industrial company has been following this trend and offering its customers from around the world one of the widest product ranges in the entire industry including traditional and video slot machines, video poker machines, amusement with prizes (AWP) machines or limited payout machines (LPM) and interactive live games, right down to multiplayer systems, video lottery terminals (VLTs), downloadable games and betting terminals. Networked and online systems for casinos and sports betting operators, state-of-the-art ticket technology, as well as cashless solutions complete the product range.
- This technical development is driven not least by the Group's dual role in the market as a manufacturer and operator of highly innovative gaming equipment and state-of-the-art game design on the one hand, and as an operator of casino operations, electronic casinos and sports betting outlets on the other hand: This two-pronged business strategy has proven to be a key advantage over competitors and allows quick reactions to ever-changing market needs.
- Thus experience and observations based on the Group's own operating activities flow directly into the Group's own research and development work and provide invaluable input into innovative developments and new product trends. For example, all new product developments must successfully undergo field testing in the Group's own gaming facilities before they can be officially approved for sale.
- NOVOMATIC research activities of today are already incorporating the trends of tomorrow. In an industry characterized by exceptional growth and momentum such as the gaming and entertainment industry, not only the need for attractive new games, but also networking is going to play an ever-important role. The wave of the future includes online settlement systems, information systems as well as networked video lottery and video network terminals. This first of all serves the function of even better player security and thus provides even greater protection against any type of manipulation.
- The key to success for NOVOMATIC, a company licensed to operate in diverse jurisdictions with strict controls and requirements, is, and will always be, the principle of selling its products and operating its facilities only in regulated markets with a clear legal and regulatory environment. Thus NOVOMATIC has repeatedly, consciously foregone activities in attractive growth markets, such as gaming and sports betting on the Internet, as long as the necessary legal operating environment has not been put in place. This is a conscious, voluntary self-restriction in order not to jeopardize existing licenses around the world.



The World of NOVOMATIC

- The fact is that the Group's future growth prospects will benefit from gaming legislation reforms currently underway in the European Union. Therefore, NOVOMATIC is calling for and supporting rapid harmonization of European gaming laws. This does not mean complete liberalization of the existing monopolistic structures, but it does indeed mean a strictly regulated de-monopolization of gaming, which would also include strict regulatory objectives such as player and consumer protection.
- Thus NOVOMATIC AG is also setting new standards in the area of responsible gaming, prevention of gaming addiction, as well as stringent adherence to the protection of minors in all of the Group's gaming facilities, and, in this respect, has implemented an innovative and even more comprehensive expert network that is among the most modern ones in Europe. Based on many years of cooperation with research institutions, there is a countrywide telephone helpline in Austria (in cooperation with the Department of Addiction Research and Addiction Therapy at the Medical University of Vienna), regional charitable self-help groups (such as Gamblers Anonymous in Vienna, Lower Austria and Salzburg), as well as a new access system for running gaming machines introduced across Europe in the summer of 2007. The best possible support of measures aimed at curbing the dangers of problematic gaming behaviour is to be ensured.
- As part of its social responsibility, NOVOMATIC is committed to the principle that running a successful and sustainable business is only possible in a society with social values and solidarity. The Group's founder, Professor Johann F. Graf, was already committed to the principles of fairness, partnership and social responsibility as a corporate philosophy long before the buzzwords 'Corporate Social Responsibility' emerged as an economic reality. In 2007, NOVOMATIC launched a wide array of activities in order to make a contribution to the financing of social, cultural, scientific and sports projects.

The Strategy





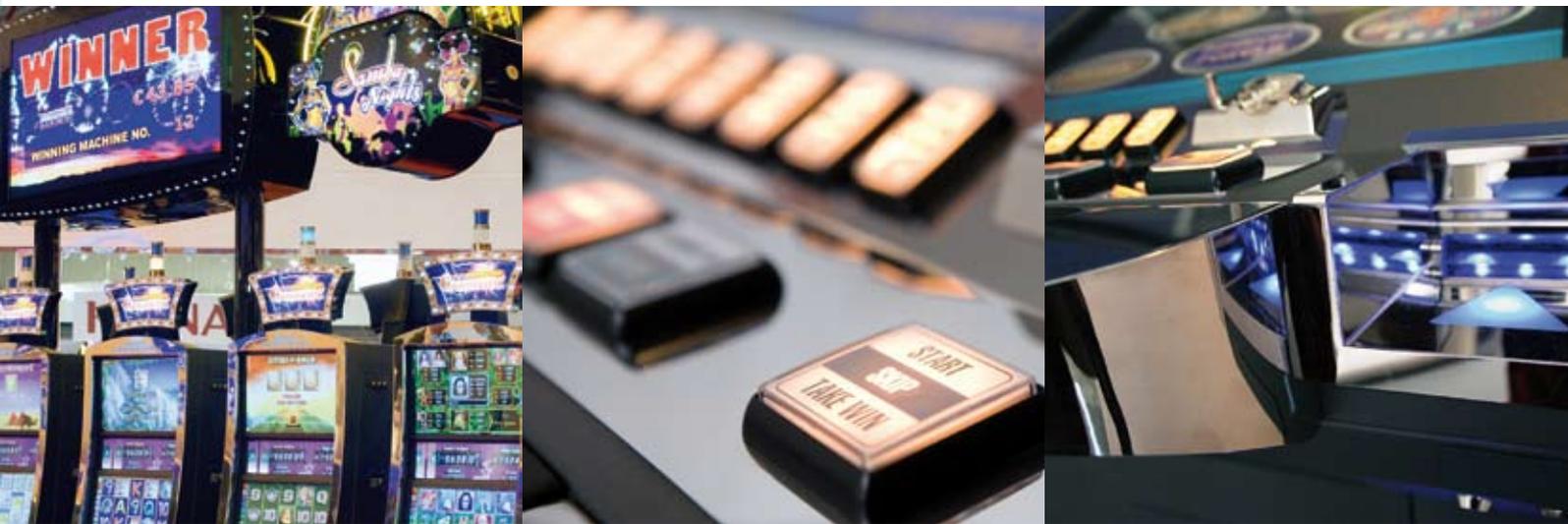
The Strategy

- NOVOMATIC AG is a globally operating, integrated gaming company whose orientation as a producer of gaming equipment and an operator of gaming facilities is based on continuous, controlled, sustainable, and responsible growth. The Group sells its products and services, and operates its facilities only in regulated markets with a clear legal and regulatory operating environment.
- The Group plans to consistently pursue its pioneering strategy in the years to come. Its core markets, in addition to the member countries of the European Union, include the markets of Central, Eastern, and Southeast Europe where, thanks to a very early market entry, NOVOMATIC has already established a superb market position, as well as markets with exceptional growth potential – e.g. Asia and Latin America.
- A core element of the Group is its position as the trendsetter in research and development of state-of-the-art gaming equipment with a high level of innovation. The Group will continue to expand its competitive advantage based on its dual role as manufacturer and operator, as well as the Group's seven internationally networked competence centers in the area of research and development by the new construction of an R&D Center at their headquarters. NOVOMATIC has already recognized the technology trends of the future, such as networked systems and server-based gaming.
- In addition to creative gaming ideas and technological innovations in the area of operations, the future emphasis will also be placed on responsible gaming. In the area of responsible gaming, NOVOMATIC has already developed one of Europe's most modern concepts concerning the prevention of gaming addiction, which is continuously improved by comprehensive information, a national telephone helpline and a tightly knit expert network of charitable self-help groups.
- NOVOMATIC seeks to further develop the Group through continuous, sustainable, and organic growth. The growth strategy in non-saturated markets in the coming years is based on organic growth. Acquisitions are also conceivable, however. Acquisitions represent a more likely strategy for new growth in mature markets. In addition, on an international level, the company seeks to build strategic alliances.
- NOVOMATIC also aims to develop new business segments – for example, by offering cross-border gaming services based on legal harmonization among member states of the European Union or by cooperating with state lottery and betting providers. The development of gaming content for iTV platforms is also an attractive business segment, along with strategic alliances in the area of digital television with partners from the fields of telecommunications and TV.



DMATIC
COMPANIES

**Gaming
Machines**



Gaming Machines

- The NOVOMATIC subsidiary, Austrian Gaming Industries GmbH (AGI), is the world's market leader in the area of interactive live games and multi-player systems. It has also been the technology leader for many years in the production of state-of-the-art gaming machines. All innovations are tested in the Group's own casino operations and electronic casinos before they are offered to customers. This not only guarantees technologically mature products but also gaming equipment which has already proven to be accepted by both casino operators and visitors.
- In the electronic multi-player arena, AGI is a pioneer and the undisputed world market leader. The company recognized the trend shift from classical table games towards slot machines and, after the development of Novo TouchBet® Live Roulette and Novo Multi-Roulette™, it presented the live game innovations Novo TouchBet® Live-Sic Bo and Novo TouchBet® Live Baccarat in the middle of 2007. Hence, AGI decisively expanded its product range for the server-based multi-player platform NOVO Unity™, which it developed itself. In addition, Novo Texas Hold'em Poker™ was presented in 2007 as a prototype and preview for the following year. This electronic poker table combines the latest gaming technology with high-quality craftsmanship and the greatest possible security.
- In the area of video games and slot machines, many innovative gaming concepts and innovative cabinets were introduced in fiscal year 2007 based on the leading technology of the Coolfire™ II platform. Besides Duo-Vision™ and the multi-game hybrid cabinet Super-R+ Gaminator® introduced in 2007, the Super-V+ Gaminator® has been developing into the new star of the range of cabinets since the beginning of 2008. This top casino equipment combines a super design with a third monitor to see up to four jackpot levels, top sound (through subwoofers and an active satellite speaker system), as well as panoramic screens with a 16:10 screen size and that way it guarantees top performance for the operator.
- In 2007, a multi-level mystery jackpot system (FlexiLink) was also included in the product range through a strategic alliance with Australian manufacturer Independent Gaming.
- The Slant top cabinet NOVO-Vision™ Slant Top, which was further developed especially for Coolfire™ II, provides a 22" touch-screen monitor as well as an upper 27" top screen. This innovative flip-screen feature makes it possible for the player to move his main game from the bottom screen to the top screen at any time.

Research & Development





Research & Development

- As a global trendsetter and innovator in the gaming industry, NOVOMATIC AG has for many years invested great amounts in research and development that are consistently far above the average for the industry.
- The edge in design, development, production, and marketing of highly innovative gaming equipment carved out by the seven internationally operating and internetworked competence centers of the Group by more than 400 R&D employees is to be secured and expanded in the coming years. This also applies to the 800 intellectual property rights such as trademarks, patents, and designs.
- To protect these intellectual property rights, the NOVOMATIC subsidiary Austria Gaming Industries (AGI) is actively cooperating with the large producers in the industry against product piracy and product counterfeiting.
- Besides attractive new games and new multi-player generations with card and dice games (Baccarat, Blackjack, Poker, Sic Bo etc.), the key issue of networking is becoming increasingly important. Online settlement systems, information systems as well as networked video lottery and video network terminals are increasing in importance along with leading-edge ticket technology.
- Through central servers, the product mix will in the future be optimized in real time – for instance, the types of games offered can be adapted exactly to the demands of the players. Networking primarily serves the function of player security and even better protection against any type of manipulation. In addition, the NOVOMATIC subsidiary Austrian Gaming Industries is already working intensively on the development of new technologies in the remote gaming sector.
- Server-based gaming is also increasingly developing into a trend in the industry. Finally, it is important to note that, for the first time, there is a common PC-based standard for networking systems of machines by different manufacturers. Austrian Gaming Industries is already a Gold Member of the “Gaming Standards Association”.



Production



Production

- NOVOMATIC subsidiary Austrian Gaming Industries GmbH (AGI) traditionally places great emphasis on the quality of workmanship in the manufacturing process for its innovative gaming equipment. In addition to technologically mature research and development in the pre-production phase, the Group upholds this standard through highly qualified workers throughout all subsequent production steps and through a high degree of vertical integration.
- Products bearing the NOVOMATIC brand distinguish themselves through a level of vertical integration of 90%, which is far above the industry average. This means that nearly all the components for NOVOMATIC gaming machines are manufactured within the Group and thus subject to continuous and strict quality control.
- The high level of vertical integration also guarantees NOVOMATIC customers maximum flexibility. During production – also of small series made to customer specifications – the Group can accommodate individual customer needs very flexibly or react immediately to a changing operating environment at any time. The new wire harness factory opened by AGI Hungaria Kft. in 2006 near the Hungarian city of Sopron became ISO 9001 certified in the reporting period.
- The AGI subsidiary NSM-Löwen Entertainment GmbH in Bingen am Rhein, Germany, achieved what was certainly one of the greatest successes in the history of the industry. In the wake of a changed business environment due to new gambling legislation, it completed an extremely fast adaptation of the products with the new generation of equipment NOVO Line™ and NOVO Star™. In 2007, it was possible to lease more than 40,000 Amusement With Prizes units (AWP).
- The second German AGI subsidiary, Crown Technologies GmbH, which was acquired in August 2007, has consequently reported strong growth. With an impressive start to its products, it was possible to position the Admiral Crown Slant Top very successfully in the German commercial gaming market following its initial presentation in October.
- Astra Games Ltd. with its headquarters in Bridgend in South Wales has been part of the NOVOMATIC Group since 2004 via the AGI subsidiary Novo Gaming UK and opened a new plant in November 2007. As one of the leading manufacturers of gaming equipment for the British market, the new competence center with a total floor space of 7,500 square meters following a construction period of two years, now includes extensive research and development departments for game design, software development, graphics design, and machine development.

Sales



- A strong customer orientation in marketing and sales across the entire range of products is an integral key to NOVOMATIC's success. The sales system is based on three proven cornerstones: the direct activities of NOVOMATIC's own production companies, the Group's own international subsidiaries, as well as very carefully selected regional distribution partners.
- Also in the area of marketing and sales, NOVOMATIC, a company licensed to operate in diverse jurisdictions with strict controls and requirements, has uncompromising standards. It upholds the principle of selling its products only in regulated markets with a clear legal and regulatory environment. Marketing and sales within the NOVOMATIC Group comprises sales of the Group's products and services, which are exported to 60 countries worldwide.
- Austrian Gaming Industries GmbH (AGI), the production flagship of the Group, further stepped up its sales activities in 2007 not least through its presence at recent international trade fairs. In addition to the "International Casino Exhibition (ICE) 07" in London, which has become firmly established for the Group as the most important trade fair of the year, AGI made new and important international headway in Latin America, among other countries. One premiere, for example, was in October with AGI's successful participation in the SAGSE in Buenos Aires, Argentina. Before that, AGI achieved the distinction of having the "Best Exhibition Booth" at the Peru Gaming Show.
- Participation in these trade fairs underscores the intention of having intensive development of long-term sales and marketing activities in growing the markets in Latin America, where NOVOMATIC sees outstanding development potential. In accordance with this strategy, a new office was opened in Chile's capital city in 2007. Now, sales in the adjoining South American countries will be promoted from Santiago de Chile.
- The extensive commitment of the NOVOMATIC Group to the Spanish-speaking markets was continued in 2007 in Spain also, where a sales subsidiary was opened in Barcelona following extensive market research and numerous surveys of Spanish casino operators. The construction of a headquarters for the development of the Spanish market is planned in the capital city Madrid after entering the market.
- Activities were continued in North America with great success at the G2E 2007 in Las Vegas in November.



Sales

- In July, AGI signed a strategic alliance with Australia's Independent Gaming Pty Ltd. Plans include sales and marketing of AGI products by Independent Gaming in the entire Asian market. In return, AGI launched the innovative Flexi-Link Jackpot System from Independent Gaming in the European markets.
- To protect its intellectual property rights, AGI undertook a spectacular campaign against product piracy and counterfeits in September at the Entertainment Arena trade fair in the Romanian capital. Counterfeit software and hardware were flattened without further ado by a steamroller.



Casino Operations, Electronic Casinos and Sports Betting



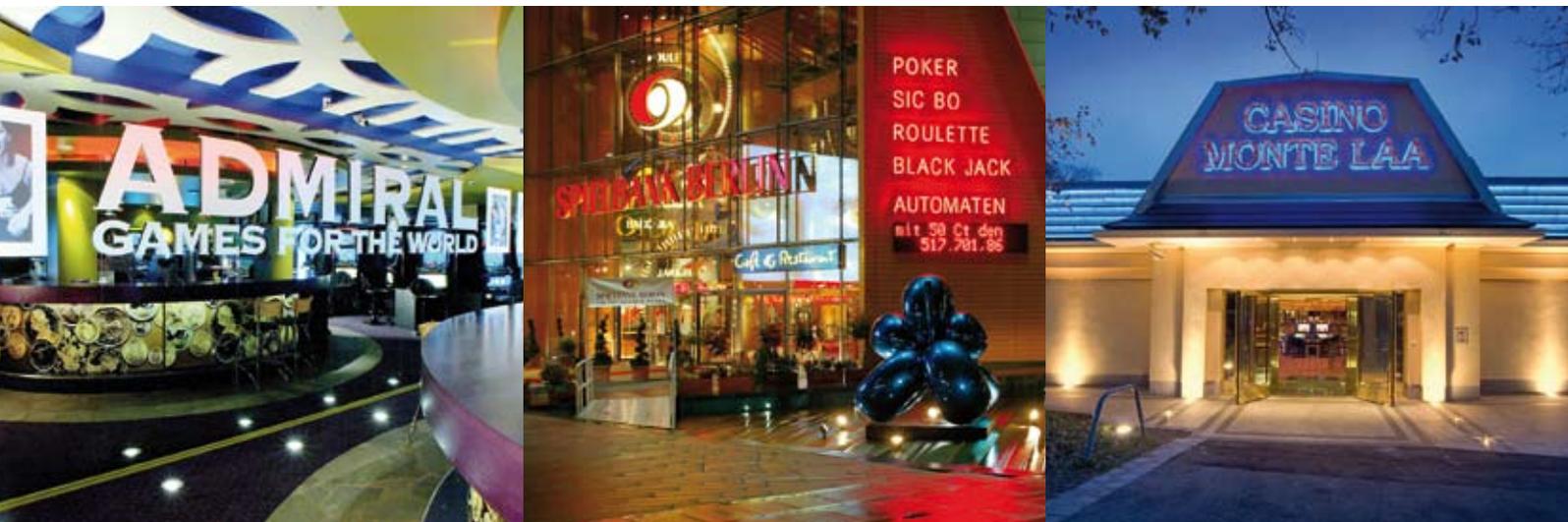


Casino Operations, Electronic Casinos and Sports Betting

- Today the NOVOMATIC Group operates over 700 electronic casinos and casino operations throughout the world. The flagships of the NOVOMATIC Group, in addition to the largest casinos in Switzerland (in Mendrisio), Germany (in Berlin), and the Czech Republic (in Haje), include Europe's largest sports betting casino, the Casino Admiral in Vienna's Prater, as well as Admiral Sportwetten GmbH, Austria's sports betting company offering the most locations, with 170 outlets and a market share of some 50 percent.
- In 2007, NOVOMATIC subsidiary Austrian Gaming Industries GmbH (AGI) not only managed to defend its position as the manufacturing flagship of the Group, it also massively expanded its standing as a leading operator of electronic casinos and casino operations in the markets of East and Southeast Europe.
- AGI subsidiary Alfor SIA, for example, was able to further expand its success in the Baltic States. In April 2007, Alfor opened a new administration center not far from the Riga airport in Latvia. It operates a total of 4,500 gaming machines in 126 electronic casinos (2006: 120) and already employs more than 900 people. The market entry into Estonia and Lithuania has also developed according to expectations and there are plans to press ahead. In Hungary, the AGI subsidiary, AGI American Games Kft., is running nine electronic casinos (two more than in the previous year).
- In Croatia, the expansion initiated in the previous year was continued rapidly. By the end of the year, the number of gaming facilities increased to 35 (2006: 26). In addition, the opening of the Admiral Opatija casino, established in the historical Vila Madona, took a successful step in autumn 2006 towards offering high-tech gaming equipment and live gaming in special historical surroundings.
- Expansion was intensified in Southeast Europe. In Romania the company's already successful market development efforts were further strengthened. In Bosnia and Albania, the wholly-owned subsidiaries of AGI that were founded in 2006 are developing very successful marketing activities. AGI is now also represented in Romania, Bulgaria, and Serbia. In the Ukraine, market development is continuing to be promoted by a wholly-owned subsidiary of AGI.



- There was also a market entry into Spain in 2007. NOVOMATIC-Gaming Spain S. A. founded a sales subsidiary in Barcelona, which will be followed by the building of a new headquarters in Madrid during 2008. A new office was also opened in Santiago de Chile, from where market development can be promoted in the adjacent countries of Latin America.
- Through a Chilean subsidiary and a joint venture with an internationally acknowledged and well-known casino operator, NOVOMATIC AG contractually secured a 40 percent share in the largest resort casino project in Latin America in Chile. The investment is subject to the approval of an application that has been submitted to the responsible Chilean gambling authorities. The casino project in San Francisco de Mostazal, south of the Chilean capital city of Santiago, plans to have a total of 1,500 gaming machines, 80 game tables and 300 bingo terminals. In addition, the facility will have a hotel, conference rooms, a shopping center, as well as sports facilities and a wide range of food services. Plans are to open the casino in October 2008.
- Business development was very encouraging for Extra-Games Entertainment GmbH in Pfullendorf, in the German federal state of Baden-Württemberg. The number of electronic casinos more than doubled to 102 (2006: 50), whereby numerous existing sites were expanded or modernised.
- In Austria, Europe's largest sports betting casino, the Casino Admiral in Vienna's Prater, has successfully established itself as the Group's flagship three years after it was opened. Other positive highlights include the development of other gaming facilities within the Group – e.g. the largest casino in the Czech Republic, the Admiral Colosseum Casino – as well as casino activities of the NOVOMATIC Group in Germany, where a total of four casinos are operated in cooperation with the German Sports Aid Foundation. NOVOMATIC's main shareholder, Professor Johann F. Graf, is also the largest single shareholder of the Berlin Casino, the leading casino in Germany.
- Admiral Sportwetten GmbH expanded its position as Austria's sports betting provider with the most locations, with 170 outlets (2006: 164), and achieved a market share of some 50 percent. The main operative focus of Admiral Sports Betting in 2007 was completion of the company's own betting software as well as preparation for the major sporting event, Euro 2008, the European Soccer Championship to be held in Switzerland and Austria.



Casino Operations, Electronic Casinos and Sports Betting

- Admiral Sportwetten GmbH plans to continue its selective expansion strategy with foreign activities in regulated markets. Now that an outlet has been running successfully since 2005, eleven more locations are to follow in 2008. After participating in a public tender at the end of 2006 for a license in Italy, the first outlet was opened in Trento in September 2007. The outlet concept involving entertainment, food services, and up-market furnishings that have already been successful in Austria, was well received immediately by customers.
- The business of the NOVOMATIC subsidiary Hotel and Tourismus Management GmbH (HTM) was also very positive. In the reporting period the company had over 79 outlets in Vienna (2006: 80), 32 of which also offered food services. 18 outlets are operated as Admiral Sports Betting locations without food services. In all locations, gaming machines are offered within the scope of Austrian gaming regulations.
- Through the introduction of state-regulated gaming in Lower Austria in 2006, the year 2007 developed into a year of expansion for HTM in Lower Austria. By implementing the Admiral Entertainment concept, the number of locations increased to 19 (2006: 12). A new access system was implemented in all Lower Austrian locations in summer 2007, which is unique across all of Europe. Access to the gaming machines is only possible after registration by means of an official picture ID and the NOVOCARD™. In Lower Austria, HTM also operates Admiral Sports Betting shops in the Magna Racino racetrack in Ebreichsdorf. In cooperation with Wettpunkt, an additional eight outlets were opened. Two others are operated in cooperation with the company Spieltreff. HTM also operates a very successful 4-star hotel, "Admiral am Kurpark", in the spa town of Baden near Vienna.
- Wett Café Betriebsgesellschaft m.b.H. as a wholly-owned subsidiary of HTM, owns 36 outlets in Styria (2006: 38), where gaming machines are operated and Admiral Sports Betting is offered within the scope of Austrian gaming regulations. In the reporting period, Wett Café Betriebsgesellschaft m.b.H. also managed to emulate the successes of its parent company.



Employees



Employees

- Employees are a pivotal success factor for NOVOMATIC AG. Their creativity in product development, their reliability in production, and their constantly active service orientation towards all our customers represent tremendously high human capital for the company.
- On an annual average, the NOVOMATIC AG workforce in 2007 was 6,210 (2006: 4,370). This includes 18 employees in NOVOMATIC AG and 762 employees in Austrian Gaming Industries GmbH at the location of the Group's headquarters. This makes the company one of the largest and most attractive employers in the region.
- The personnel structure reflects the breadth and dynamics of the company. On the one hand, 70 percent of the staff are younger than 40 years old; on the other hand, our employees sometimes work in the company well past the age of retirement. The oldest employee of Austrian Gaming Industries GmbH is 72 years old. Regarding the qualifications structure, 9.3 percent of the staff are university graduates.
- Equal opportunity in terms of 'gender mainstreaming' was and has always been a matter of course for NOVOMATIC AG. This is shown by the extremely high proportion of women (58.5 percent) within the group of companies. Women can be found in all positions (for example senior management and management functions, R&D experts) as well as at all levels in the casino operations, electronic casinos and betting offices.
- This development has been supported by forward-looking and family-friendly personnel policies. The company recognised at a very early stage that retaining know-how and advancing the knowledge of its employees is highly beneficial to the company. This happened long before it was legally founded in part-time contract models for parents of young children. Flexible working hours, part-time contracts, home offices and facilitated re-entry following parental leave by means of individual models make it possible for women to have optimum conditions in all levels of qualification at NOVOMATIC AG.
- The NOVOMATIC Group thinks of itself as one big family in which teamwork and trust have the uppermost priority. Having an open dialogue with and between all employees facilitates a positive corporate culture in which problems can be addressed and resolved quickly. All managers and employees feel bound to this code of conduct.

Regulated
Markets



BRITISH
COLUMBIA

GAMING POLICY AND ENFORCEMENT BRANCH

Certificate of Registration

This is to certify that:

AUSTRIAN GAMING INDUSTRIES GMBH

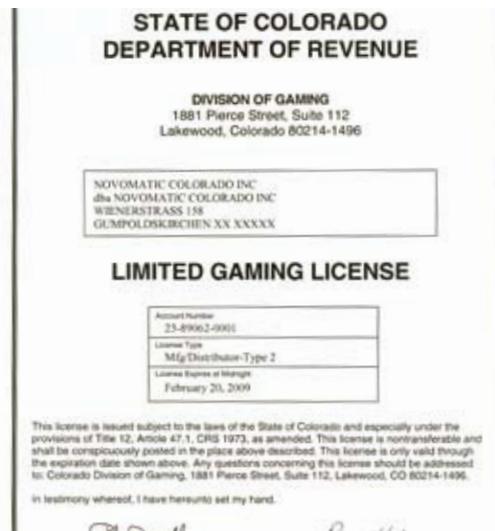
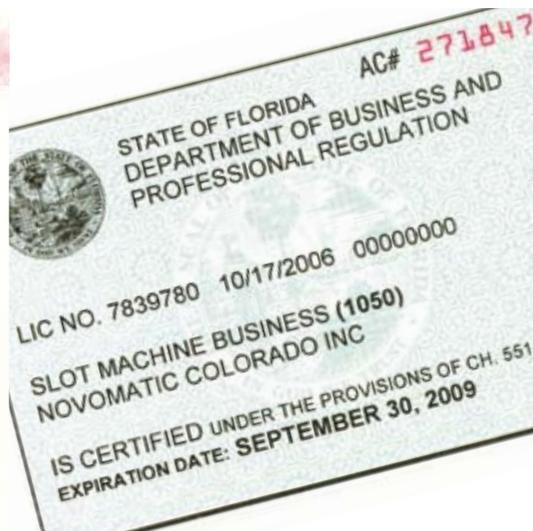
Is registered pursuant to the Gaming Control Act in the following class

GAMING SERVICES PROVIDER

(Equipment Manufacturer/Supplier)



Director of



Regulated Markets

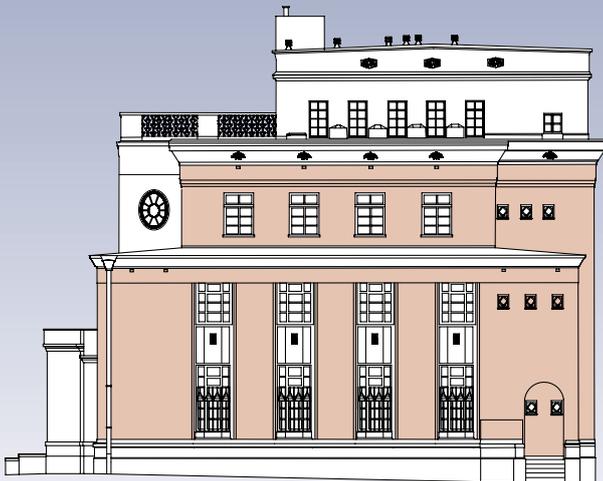
- NOVOMATIC AG strictly adheres to the principle of offering products, services and operating gaming establishments only in regulated markets with a clear legal and regulatory operating environment. Thus, one of the Group's most important basic principles is to have the greatest possible legal certainty. The worldwide gaming industry still is one of the fastest-growing segments in the modern entertainment and leisure industry.
- Therefore NOVOMATIC is an advocate of social responsibility and strict legal regulations at both national and international level, in which the market entry of private providers of gaming services should not be cut off by unjustified market entry barriers.
- Due to positive and much-discussed decisions that have been made by the European Court of Justice also with regard to liberalization tendencies, for example the "Gambelli" or "Placanica" verdicts, as well as due to a multitude of ongoing contract violation proceedings against EU member states in the area of sports betting and gambling (for example France, Germany, Denmark, Finland, Sweden, Hungary, Greece, and the Netherlands), those market barriers that violate the basic freedoms of the European Union, especially against the freedom of establishment and services, will gradually fall.
- For private providers of gaming services, this will result in many new market opportunities in the area of cross-border applications involving gaming and sports betting within the EU. The objective must be a carefully controlled opening of markets with a limited number of providers who will be able to obtain concessions for gaming services in transparent tendering procedures and in the process will be required to uphold the highest security standards.
- In the medium term, there will have to be a minimum level of harmonization at the EU level through gaming regulations, in order to use controlled deregulation to prevent billions in gaming revenues flowing outside the EU, especially via the Internet. These European gaming regulations must guarantee high regulatory standards, above all in the area of standardized consumer protection. NOVOMATIC anticipates that the reform process in the European Union will still take several years and perceives the aspired limited market opening as an opportunity for further expansion. The Group is already fulfilling all the high standards that will be required of a future regulated concessionaire.
- NOVOMATIC is convinced that this controlled market opening – combined with the necessary information campaign concerning the creditworthiness and seriousness of the providers and their services – will lead to extra tax revenues in the EU, the creation of additional important jobs and considerably increase legal security.

We take responsibility

Our Corporate Social Responsibility



VIEW FRIEDRICHSTRASSE 7



VIEW NASCHMARKT



VIEW OPERNGASSE



NOVOMATIC sponsors the Schauspielhaus Wien



Handball club HYPO Südstadt



Volkshilfe charity event „Poverty hurts.“

We take responsibility Our Corporate Social Responsibility

“We at NOVOMATIC are firmly convinced that communities can only work, if all groups are prepared to take responsibility – the state, industry, and individual citizens as well. NOVOMATIC has a tradition of taking social responsibility. It has been a concern of ours right from the beginning to give something back to the community as a socially responsible company.”

Prof. Johann F. Graf, Founder of NOVOMATIC AG

■ Our sustainability strategy

NOVOMATIC AG is committed to its social responsibility. With the motto “NOVOMATIC leads – others follow”, the company is manifesting its vision of dealing responsibly with its products, services and technologies, and expanding its market leadership on the basis of sustainability principles. The NOVOMATIC Group has a tradition of taking social responsibility. In its 28-year existence, NOVOMATIC has always stood up for people and their concerns. NOVOMATIC understands the term “Corporate Social Responsibility” to mean an entire commitment to society that goes above and beyond business operations including economic, ecological and social aspects. Balancing these interests is a central element of our sustainability strategy and a pillar of competitiveness in globalised markets.



Exterior view NOVOMATIC Forum



National hockey team



Interior view NOVOMATIC Forum

1. Society

NOVOMATIC Group's social involvement covers the areas of art and culture, society, science, the environment and sports. Here, it is an important concern of the company to use today's actions to create the conditions for tomorrow.

The NOVOMATIC Group sees its permanent involvement as a process that will be developed continuously. However, our social responsibility doesn't end at the plant gates. It extends out into the local area and includes the local surroundings in addition to employees and investors, which means business partners and suppliers, the authorities and in particular our customers.

■ „NOVOMATIC Forum“

By buying the former “Traffic Office” building in summer 2007 in the First District of Vienna, opposite the Viennese Secession, the company's vision of creating a place to encounter art and culture far away from the core business became reality. The listed historic building is currently being renovated in close cooperation with the Federal Office for Monument Protection as well as the City of Vienna, and will be opened in May 2009. There are a multitude of ideas and visions for its future use. One thing is certain; the building will be a place for European political discussions and artistic/cultural encounters. The diverse ways of using the building will primarily be viewed against the background of the company's sustainability strategy.

■ Sustainable personnel policies

The motivation and performance of our employees are the central capital of a company and therefore have a direct effect on productivity.

■ Creativity through individuality: As an international group of companies, NOVOMATIC employs a multitude of people with different cultures, languages, religions, genders, ages, states of health, origins etc. We see this diversity as a valuable commodity, because only through the combination of different perspectives and skills is it possible to develop creativity and innovation.

■ Equal opportunity: An important aspect in the company is also something known as “gender working”. With a proportion of 58.5 percent of women in the company, we are in the top group in Austria. This is the result of a particularly women-friendly working hours model.

■ Education and advanced education: Generally, the Group pays special attention to the individual and different needs of the employees, which is mainly reflected in the customized training and advanced education programs.



Musical Summer Kittsee „Fiddler on the roof“

Austria Business Cup Awarding

Our CSR Principles

1. We are customer oriented.
2. Our business is sustainable and socially responsible.
3. Our name stands for excellent quality.
4. Our focus is on innovation, research, and development.
5. We see changes as opportunities.
6. We are successful due to our employees.
7. We develop brands and technologies in the high-end sector.
8. We live out the tradition of a family-run company.
9. We have flat hierarchies and a culture of openness with each other.
10. We all produce together and stand for flexibility.

- **Worklife Balance:** NOVOMATIC helps its employees to bring their involvement in their careers into harmony with their individual life plans. Besides flexible work (hours) models, support programs are offered to make it easier to re-enter the workforce after a leave.
- **Barrier freedom:** The Austrian Association of the Disabled (ÖZIV) is available to the company as a consultant in all aspects of barrier freedom.
- **Health and safety:** The number of options here range from ongoing medical treatment up to preventative examinations and fitness checks by the company doctor. Furthermore, sport possibilities are promoted, and excursions as well as cultural activities are offered to employees and their families. Supplemental payments for lunch and the paid breakfast break are favoured by employees.

■ Awards and Memberships

NOVOMATIC has twice received first place in the “Wirtschaftsblatt Austrian Leading Companies” Award. In addition, NOVOMATIC was in the top ten of the “Best Employers” ranked by the daily newspaper “Österreich”, and landed in 48th place in the top thousand companies in Austria, and won the 2008 Export Prize.

Even some of our subsidiaries won prizes. The NOVOMATIC subsidiary Alfor SIA was able to take an outstanding 15th place in the Top 101 ranking of the most valuable companies in Latvia organised by the Latvian business magazine “Kapitals”. The German subsidiary NSM-Löwen succeeded with its exemplary environmental program and received the environmental award “ÖKOPROFIT” from the municipality of Bingen.

■ Cooperation with NGOs

NOVOMATIC is a member of the Vienna Economic Forum (VEF), where it makes the company’s know-how available. As a member of the Institute for the Danube Region and Central Europe (IDM), NOVOMATIC also makes contributions to passing on know-how on the Danube region for the development of good neighbourly relationships.



NOVOMATIC

GROUP OF COMPANIES

– Eine Million –

Währung

USD

Betrag

1.000.000.-

Buchstaben

an die William J. Clinton Foundation

Wien

24.05.2007

Aids Life Gala 2007

Unterschrift





Sponsoring of an ambulance vehicle for Samariterbund Graz



„Lions“ Traiskirchen – federal basketball league

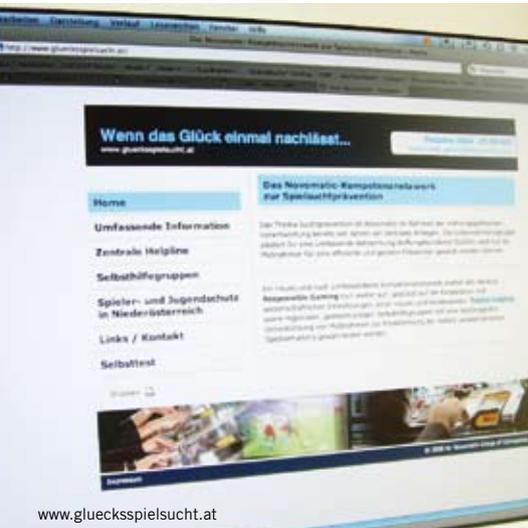


Austrian Life Science Award 2007

2. Sponsorship

NOVOMATIC supports numerous initiatives in the areas of culture, society, sports, science, and the community. The following activities document selected examples of these initiatives:

- **Art and culture:** NOVOMATIC made a striking statement by taking over as the main sponsor for the “Schauspielhaus Wien”. It was possible for art and science to learn from each other and enter into a very profitable symbiosis.
- **Social:** By supporting the William J. Clinton Foundation, NOVOMATIC made a statement in the worldwide fight against HIV/Aids. In addition, international aid projects are supported without any bureaucracy. After the earthquake in Peru, NOVOMATIC made it possible to buy emergency power generators in order to run a water treatment facility for 30,000 people. The “Licht ins Dunkel” association as well as the “ZUKI-Zukunft für Kinder” also received extensive support.
- **Admiral Charity Funds:** These funds are mainly to provide ad-hoc aid. Funds are provided to people who are suddenly in need and are allocated without any bureaucracy and without media attention after an evaluation by a separate board of trustees. This fund was used, for example, to make it possible for a child with multiple handicaps to have dolphin therapy to promote language development, and Austrian Autism Aid was also supported.
- **Science and society:** A know-how transfer at the informatics level takes place with the Institute for Informatics of the University of Vienna. In the area of Life Sciences, ambitious young researchers are awarded the “Austrian Life Science Award” (ALSA) for outstanding performance, which is a prize created by NOVOMATIC.
- **Health and addiction prevention:** NOVOMATIC cooperates with the Department of Addiction Research and Addiction Therapy of the Medical University of Vienna/AKH Vienna and funds the research and treatment of non-substance-related addictions. Furthermore, the Group supports numerous regional and charitable self-help groups and consultation as well as therapy facilities.
- **Sports:** Through Admiral Sportwetten GmbH, a number of clubs and especially up-and-coming athletes from all types of sport were supported once again. At the Group headquarters in Gumpoldskirchen, a NOVOMATIC running and Nordic walking arena was erected this year, which is enjoying great popularity. The two handcycling athletes Wolfgang Schattauer and Markus Schmolli, both of whom were once again able to celebrate major successes in the European Handcycling Competition, were supported as well. The company was particularly involved in the promotion of tennis as a recreational and leisure sport. Within the scope of its capacity as Vice President of the Austrian Tennis Association, the General Director initiated the creation of the interactive platform www.playtennis.at. It is a service portal for all tennis fans and for those who want to become players.



www.gluecksspielsucht.at



NOVOCARD™ registration



NOVOCARD™ opening the turnstile

3. Responsible Gaming

NOVOMATIC is aware of the fact that it operates in a highly sensitive economic sector and takes its responsibility as a gaming company very seriously. Therefore, dealing responsibly with gaming is the uppermost maxim of the Group. The Company recognised at an early stage that there are people who cannot deal responsibly with the games and took on the responsibility of giving those people the best-possible support and giving them assistance for their own self-help.

An especially set up Responsible Gaming Department is the point of contact for game participants with problematic playing habits and it implements preventative and player protection measures. This includes the following activities:

- A competent team of experts that can be reached via the email address responsible.gaming@novomatic.com answers questions from the people in question and interested parties promptly and without any bureaucracy.
- On the website www.gluecksspielsucht.at, extensive information is provided as well as an online self-test for self-reflection of gaming habits.
- Ongoing internal educational events on the topic of early recognition and prevention of gaming addiction are held in conjunction with the Johannes Gutenberg University of Mainz (formerly Charité Berlin) as well as the Department of Addiction Research & Addiction Therapy of the Medical University/AKH Vienna (under the leadership of Prof. Gabriele Fischer).
- There are information leaflets available in many languages (German, Turkish, and Serbo-Croatian) on display at each facility, which can be taken for free.
- Setup and maintenance of a central telephone helpline (+43 664 85 69 940) by the Department of Addiction Research & Addiction Therapy of the Medical University/AKH Vienna;
- Continuous expansion of the consultation and prevention network in conjunction with regional and charity self-help groups, such as the Gamblers Anonymous Associations in Vienna, Lower Austria, and Salzburg;
- Implementation of prevention concepts in other international markets; as in Croatia, for example. The Responsible Gaming Program was started that provides for the display of information material in all gaming facilities as well as a nation-wide telephone helpline that is operated in cooperation with the top Zagreb doctor and addiction expert Dr. Zoran Zoricic.



NOVOCARD™ turnstile

turnstile before playing area

■ **Greatest possible player protection with the NOVOCARD™**

NOVOMATIC is the first company in the industry to successfully develop an innovative model in the gaming machine sector that guarantees effective player and youth protection. It is an electronic access system that includes a combination of mandatory registration, access control and monitoring, as well as the integration of external centres. Before entering the gaming machine salon, each player must legitimize him or herself by presenting an official photo ID to the cashier. After making sure the holder is not a minor, the personnel data is scanned in and entered in a centrally managed computer system that makes it possible to maintain control over all locations in Lower Austria. After registration, the customer is given his personal NOVOCARD™, which is a member card with a chip that can be used to open the turnstile in front of the gaming area. Cards that are misused or lost are decoded immediately and become invalid.

■ **The NOVOCARD™ traffic light system**

Due to the central storage of the data and networking of all outlets, it is possible to check the frequency of play for each gaming participant. With the help of the NOVOCARD™ traffic light system, it is possible to monitor the gaming participant during three phases (green, yellow and red) and to initiate the respected protective measures depending on his or her gaming habits. The playing habits of players in the yellow phase, for example, stand out, because they are above a threshold defined by AKH addiction experts. They will be addressed personally and supplied with extensive information and consultation, and in addition they will be asked about their assets in order to prevent gaming habits that could threaten their existence. Gaming participants for whom a credit check indicates that their minimum for existence is endangered by continuing to play in spite of a warning are issued a written ban from the gaming salon (red phase). At the same time, the NOVOCARD™ is taken back from the player. Bans are recorded in the central customer file and can therefore be implemented in all Admiral Entertainment sites in Lower Austria. Above and beyond the legal requirements, there is also a possibility of voluntarily declaring an access ban.





Handbiker Wolfgang Schattauer



US-Nobel prize winner Edmund Phelps



We keep you in the game

4. Environment

Running a business in an ecological way and being environmentally sound in all actions during the course of the value creation chain is especially important to NOVOMATIC. Hence, the Group is always actively involved in environmental protection, which is shown by very ecology-aware use of all resources that come into play.

- **Reduction of paper consumption:** NOVOMATIC's sustainability management promotes the sensitisation of its employees with extensive information to use paper as a resource consciously. Moreover, the share of recycling was increased considerably once again in 2007.
- **Energy savings:** Only energy-saving light bulbs and CFC-free air-conditioners are used in the entire Group.
- **Sorting of waste:** Waste separation and recycling of waste are firmly defined in the Group's own waste management concept and have been implemented in a separate program to prevent waste and for differentiated collection of salvaged materials. Professional disposal of salvaged and problem materials through a certified company is another part of this program.
- **Traffic – CO2 reduction:** The main objectives of mobility management, which is targeted at sustainability, are the reduction of travel and the increasing changeover to more environmentally friendly means of transport. All vehicles in the NOVOMATIC fleet comply with the guidelines for CO2 emissions.
- The foundation for long-term success is the innovation skill of the company as well as compliance with customer requests. Therefore, even in the early phases of research and development, long-term social priorities are taken into consideration in the best possible way. This is because only an economically successful company can assume ecological and social responsibility in the long term.

NOVOMATIC AG Group
**Consolidated Financial
Statement**

Management Report

on the 2007 Individual Financial Statement
and Consolidated Financial Statement
NOVOMATIG AG, Gumpoldskirchen

Preamble

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

Financial Performance Indicators

I. Assets Position

Total assets rose compared to 31st December 2006 by 80.3 million EUR to 380.7 million EUR. On the asset side, this increase can be primarily attributed to the increase in fixed assets to the amount of 81.6 million EUR to 292.0 million EUR. In terms of fixed assets, investments concern the acquisition of various properties and buildings first and foremost in Gumpoldskirchen to expand the corporate headquarters, construction of a casino in Monte Laa and an increase in interests in affiliated companies. The floating capital totalling 87.5 million EUR underwent only a negligible change compared to the previous year (88.9 million EUR), while receivables from affiliated companies decreased by 11.9 million EUR to 59.9 million EUR. In contrast, the other receivables went up from 3.0 million EUR to 6.9 million EUR and liquid assets rose from 12.3 million EUR to 18.4 million EUR. The registered capital of the company is 26.0 million EUR. Including the capital reserves of 1.0 million EUR, retained earnings of 1.6 million EUR, net profit of 114.2 million EUR and untaxed reserves of 0.2 million EUR, the company's capital resources thus rose to 142.8 million EUR. The proportion of equity capital to total capital is now 37.5 % compared to 38.4 % in the previous year.

Outside capital increased in the past fiscal year by 53.0 million EUR to 236.0 million EUR. The most significant change involves the increase in liabilities to credit institutes by 58.9 million EUR to 67.2 million EUR as well as the reduction in other liabilities by 7.5 million to 15.5 million EUR.

II. Financial Position

In 2007 there was an influx of funds of 77.7 million EUR from operating activities including changes in floating assets. Outflows of funds from investment activity amounted to 94.9 million EUR in 2007. Important reasons for the outflows included capital increases in subsidiaries and investments in properties and buildings.

There was an influx of 23.8 million EUR from financing activity due to raising of credit to finance various investment projects totalling 59.0 million EUR as well as dividend payouts amounting to 35.2 million EUR. All together, cash and cash equivalents rose from 13.8 million EUR at year-end 2006 to 20.5 million EUR at year-end 2007.

III. Results

In the past fiscal year, NOVOMATIC AG attained a turnover of 23.1 million EUR compared to 23.7 million EUR in 2006. The main sources of turnover were earnings from property rentals, management fees, licence earnings and earnings from staffing. Turnover-dependent licence and trademark protection fees showed a slight decline due to lacking one-time transactions, as in 2006, despite the positive economic development of the subsidiaries.

Personnel costs of 2.5 million EUR increased compared to the previous year by 0.4 million EUR. The remaining operating expenditures increased by 6.2 million EUR.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased by 7.3 million EUR to 4.7 million EUR.

The financial result rose by 23.4 million EUR to 59.8 million EUR.

Depreciation and amortisation rose by 1.3 million EUR to 6.4 million EUR due to strengthened investment activity. Earnings before taxes (EBT) thus rose by 14.8 million EUR to 58.1 million EUR.

Earnings after taxes of 0.6 million EUR resulted in an annual surplus of 57.5 million EUR. For a better understanding of the assets, financial position and results, the following management report is based on the consolidated accounts. NOVOMATIC AG's annual financial statement (consolidated financial statement) is prepared according to the accounting and valuation principles of IFRS (International Financial Reporting Standards).

1. Economic Framework

According to the International Monetary Fund (IMF), only a 3.7 percent growth in the global economy is predicted for 2008. At the end of 2007, the IMF was still forecasting 4.1 percent. In 2007, with +3.4 %, (2006: +3.2 %), Austria's economy recorded the most significant growth since 2000. The Austrian Institute of Economic Research (WIFO) predicts a downturn in actual growth to +2.2 %.

According to WIFO, this is predominately based on a worsening of the international framework – e.g. the economic slump in the USA, the crisis on the financial markets and the upward revaluation of the Euro.

2. Developments and Trends in Gaming

According to the study, "Global Entertainment and Media Outlook 2007-2011", conducted by the financial auditing and consulting company PricewaterhouseCoopers (PwC), the casino and gaming industry is expected to increase its turnover to a noticeably greater extent than other industries around the world, namely by an average of 8.8 percent p.a.

In addition to Latin America, the Asia-Pacific region is identified as a major earner. According to PwC, the yearly growth is expected to rise by as much as 15.7 %, in which case turnover would increase from 14.6 billion US Dollars in 2006 to 30.3 billion in 2011. One main reason for this positive development is the People's Republic of China, which is expanding the city-state of Macao into a casino location, but others include activities in countries such as the Philippines and Cambodia.

With this development, the Asia-Pacific region will, for the first time, most likely achieve higher sales than the Europe/Middle East/Africa region (for which PwC predicts yearly growth rates of 10.7 - from 13.4 billion US Dollars in 2005 to 22.4 billion in 2010) as early as 2010. In Europe, online gaming, above all, should continue to grow.

A great deal of development potential is also ascribed to the Latin-American market – especially due to new casino licences in Chile and Argentina. PwC predicts an annual growth rate of 12.1 percent.

The main force driving this growth will continue to be machine gaming. In gaming houses, the trend is continuing away from live to machine gaming. In terms of gaming machines, the trend shifting from reel to video machines with new, additional features is continuing unabated. Modern networking systems, video lottery systems and online billing programmes as well as server-based gaming are gaining more and more ground. Mobile phone gaming, too, is gaining significant market shares for the first time. The poker boom is also sure to go on undiminished.

3. NOVOMATIC AG General Corporate Development

NOVOMATIC AG is a globally active, integrated gaming company – with a dual oriented strategy as a manufacturer and operator. During the reporting period, the company once again expanded its position as Europe's leading gaming enterprise and high-tech developer of gaming equipment as well as one of the top players worldwide. The company's highest priority here is based on the principle of operating only in regulated markets with clear regulatory policies and legal framework conditions.

In its 27th year of existence, NOVOMATIC AG once again impressively emphasised its position as a leading technology company and one of the best Austrian employers, headquartered in Austria. With a brand value of 1.4 billion, NOVOMATIC AG took tenth place amongst the top Austrian brands in the 2001 Austrian brand value study. In respect of 2006, NOVOMATIC AG's brand value rose by 40 %, which represents the greatest increase compared to the other top ten countries. In the weighted area, NOVOMATIC even advanced to become the leading brand with the greatest potential for growth amongst Austria's leisure companies.

In 2007, NOVOMATIC Group's subsidiary responsible for research, development, sales and marketing, Austrian Gaming Industries GmbH (AGI) further expanded its position as one of the global leaders in the arena of large devices, multiplayer systems as well as a variety of new, attractive and interactive games. This success is based not least on the vision developed by NOVOMATIC founder Prof. Johann F. Graf as early as 15 years ago – that of combining the appeal of classic live games with the possibilities afforded by state of the art technologies.

As in previous years, the company's duality as a manufacturer of state-of-the-art gaming equipment on the one hand and operator of gaming houses, electronic casinos and sports betting outlets on the other once again stood up to the test. Its quick reaction to constantly changing market requirements and early entry into the market – e.g. in Eastern Europe, but also its expansion in regions like Latin America and Asia – brought stable and sustainable growth.

3.1. Manufacturing Division

In 2007, a host of new and innovative products were introduced, amongst which were a wide selection of new games and cabinets for the Coolfire™ II platform. In addition to the new Coolfire™ II releases, a selection of current Coolfire™ I games and a new version of the world famous Multi-Gaminator® were launched, the Duo-Vision™ - this cabinet combines the advantages of the Streamline™ cabinet dimensions with the gaming experience on two generously dimensioned TFT displays. AGI also presented the new Super-R+ Gaminator® multi-game cabinet. Based on the Coolfire™ II platform, hybrid technology combines three large mechanical reels with two extra-wide, high-resolution touch screen monitors. The innovations for AGI's slant top cabinet also made their debut. Novo-Vision™ Slant Top I. The classic casino cabinet is now available with a bottom 22" touch screen monitor and a 27" top screen. The flip screen feature was also introduced. This allows the player to shift his main game from the bottom to the top screen.

In terms of live game innovations, AGI presented Novo TouchBet® Live-Sic Bo and Novo TouchBet® Live-Baccarat. Running on the server-based Novo Unity™ multi-player platform, they expand the family of leading global AGI multi-player games.

AGI's new Novo-Vision™ cabinet offers a multitude of innovative details and features. The powerful sound system with a sub-woofer and an active satellite speaker system delivers intense audio quality. Novo-Vision™ unleashes the full potential of AGI's Coolfire™ II gaming platform.

Two new additions to the successful multi-player product family – Novo TouchBet® Live-Black and Novo Texas Hold'em Poker™ – are also based on the new Novo Unity™ II multi-player platform. Novo Texas Hold'em Poker™ combines state-of-the-art gaming technology with first-rate craftsmanship and maximum security. The new TouchBet® Live-Blackjack makes it possible for up to 250 players to play the card game at the same time.

AGI's Novo Unity™ II multi-player platform combines the advantages of high stability, security and minimal maintenance of the time-tested Novo Unity™ I with new and innovative features and extraordinary technological perspectives for the future of gaming. The platform forms the technological basis for modern gaming and machine management. Realistic 3D graphics, accelerated gameplay and maximum flexibility for the operator characterise the new multi-players systems.

The multitude of development successes were promptly transformed into sales success as shown below in extract form:

- **Peru:**
Since our first appearance at the SAGSE 2007 trade show in Buenos Aires, Argentina, in October and at the CGS in Lima, Peru, there has been a brisk demand for our products.
- **Russia:**
Despite the noticeable uncertainty on the Russian market due to the new regulations of the gambling industry under discussion, as the sole foreign supplier, AGI managed to make a significant number of machine sales. By June 2007 around 12,000 machines had been ordered and delivered.
- **Asia:**
The first trial installations of Coolfire™ II machines in the Philippines showed that these Austrian-made machines also suit the tastes of Asian guests. The AGI devices performed above average here too. In addition, a Novo Multi-Table Roulette™ system comprising 60 terminals was delivered to the “Venetian Macau”.
- **South Africa:**
In 2007, AGI Africa managed to sell 100 new Coolfire II units in South Africa. This allowed the company to make a pleasantly quick entry into this important market.
- **Serbia:**
AGI also managed to acquire the new casino in the Serbian capital of Belgrade, the Casino Beograd, as a customer right from the start. 20 Coolfire™ I multi-game machines, an eight-station Novo Multi-Table Roulette™ system and six Novo-Vision™ Slant Top I consoles were installed in the customer’s new showcase.
- **Slovenia, Romania and Latvia:**
The company’s already existing leading position was further expanded in these countries. In total, around 5,300 systems were sold.
- **Spain:**
Spain developed into an important future and growth market for AGI due to new framework conditions. With its own subsidiary, Novo Gaming Spain S.A., initial successes have already been achieved – for example, with the sale of a new Novo Multi-Roulette™ system, made up of 24 terminals, as well as nine Coolfire™ I Slant Tops. Novo Gaming Spain S.A. is optimistic that it will be able to further expand its position in the casino market in the next year, including with the introduction of the internationally successful AGI multi-games. Moreover, the Spanish AWP/LPM market (AWP = Amusement with Prizes, LPM = Limited Payout Machines) offer additional potential that will be further developed in the course of the fiscal year 2008.

■ Canada:

In the Canadian province of Saskatchewan, the country's first Novo TouchBet® Live-Roulette system with twelve terminals was established.

■ Holland:

In Holland, too, a total of 60 single World of Roulette slot machines were sold to the country's sole concessionaire.

■ Germany:

Changes in framework conditions due to a new gaming ordinance and the rapid adjustment of the supply in Germany assured the wholly owned subsidiary NSM-Löwen Entertainment GmbH major growth in sales. More than 40,000 AWP cash game devices were leased in 2007.

The second German AGI subsidiary in the production area, Crown Technologies GmbH, which was only acquired in August 2007, also showed strong growth in the German market. With an excellent product launch, the Admiral Crown Slant Top, for example, was introduced onto the German commercial gaming market. After its initial presentation in October, 700 devices were already sold by the end of 2007.

■ Australia/Asia:

In July, AGI entered into a strategic alliance with Australian Independent Gaming Pty Ltd. This alliance provides distribution of AGI products through Independent Gaming to the entire Asian market. In return, AGI is introducing the innovative Flexi-Link Jackpot System by Independent Gaming onto the European markets.

■ Hungary:

AGI subsidiary AGI Hungaria Kft's new cable harness works which opened in summer 2006 near Sopron was operating at outstanding capacity in the reporting period and received ISO 9001 certification.

■ Great Britain:

Astra Games, which has been part of AGI since autumn 2004 by way of the AGI subsidiary Novo Gaming UK, also performed positively. The main focus of Astra Games, one of the leading British manufacturers of gaming equipment is the development of competitive products for the UK market. Astra's new headquarters opened in November in Bridgend in the South of Wales. The state of the art complex with a total area of 7,500 sqm. serves as a new competence center, encompassing a number of research and development departments for the group's game design, software development, graphic design and machine development areas.

3.2. Operational Division

In 2007, too, NOVOMATIC was able to expand its position as a leading operator of electronic casinos in core markets in Eastern Europe and increasingly in Southern Europe through its subsidiary AGI.

The AGI subsidiary Alfor SIA was once again able to expand its success in the Baltic States: In April 2007, not far from Riga Airport, Alfor opened a new administrative headquarters, operating more than 4,500 gaming devices in 126 electronic casinos and already employing 1,000 employees during the reporting period. The market entry into Lithuania also positively met expectations. The market situation in Estonia was somewhat more complicated.

AGI subsidiary AGI American Games Kft. is operating nine electronic casinos in Hungary (two more than in the previous year). In Croatia, the expansion continued along rapidly in 2007. By the end of the year, the number of electronic casinos rose to a total of 35 (2006: 26). In addition, with the opening of the Admiral Casino in Opatija, set in the historic Vila Madona, a step was taken as early as the beginning of October 2006 towards presenting high tech gaming equipment and live gaming together in special surroundings.

The expansion in Southeast Europe was also quite intense. In Romania, the already successful market cultivation was further consolidated. In Bosnia and Albania, the wholly owned AGI subsidiaries founded back in 2006 were successful in their market activities. AGI is now also represented in Bulgaria and Serbia. In the Ukraine, a wholly owned AGI subsidiary pressed ahead with market development.

After comprehensive market research and a number of surveys of Spanish casino operators, AGI expanded to Spain in 2007. NOVOMATIC Gaming Spain S.A. opened a sales branch in Barcelona to be followed in 2008 by the construction of a new headquarters in Madrid.

A new office was also opened in Santiago de Chile. This will serve as a base to pursue the expansion in the neighbouring Latin American countries.

In spring, NOVOMATIC AG contractually acquired a 40 percent share in the largest resort casino project in Latin America, in Chile, through its local subsidiary in a joint venture with internationally recognised and renowned casino operators. The concrete participation took place contingent on the approval of a corresponding application filed with the competent Chilean gambling authority, the Superintendencia de Casinos de Juego (SCJ). Around 1,500 slot machines, 80 gambling tables and 300 bingo terminals are planned for the casino project in San Francisco de Mostazal, directly south of the Chilean capital Santiago. In addition, the resort will feature a hotel, conference facilities, a shopping centre as well as sports facilities and a diverse offering of restaurants. The casino is scheduled to open in October 2008.

Extra Games Entertainment GmbH, taken over in 2005 and located in Pfullendorf, Baden-Württemberg, Germany expanded its business. At 102, the number of electronic casinos more than doubled in 2007 (2006: 50); several existing locations were either expanded or modernised. Due to the significant expansion, the positive sales trend is not yet reflected in terms of results. The start-up phase of the new locations is about six months.

In Austria, one of the group's most successful flagships, the Casino Admiral in the Vienna Prater, Europe's largest sports betting casino, has established itself as a great success three years after its opening.

Admiral Sportwetten GmbH, a wholly owned subsidiary of NOVOMATIC AG, also further strengthened its position as the Austrian sports betting provider with the greatest number of outlets (170 – six more than in 2006). In autumn 2007, Admiral opened its first outlet in Trento, Italy.

The NOVOMATIC subsidiary Hotel und Tourismus Management GmbH (HTM) also produced good results. During the reporting period, HTM had a total of 79 outlets in Vienna (2006: 80). In all of the outlets, slot machines are operated under provincially regulated gambling.

Through the introduction of provincial regulated gambling in Lower Austria in 2006, 2007 turned out to be an expansion year for AGI in Lower Austria, thanks to consistent implementation of the Admiral Entertainment concept: the number of outlets rose from 12 to 19 of which nine were operated in the Admiral Entertainment style with a café and ten other locations without a café. In Zwettl, an outlet with a café was opened and nine outlets without a café were created in Wieselburg, Vienna Airport, Pottendorf, Hörn, Bruck/Leitha, Sollenau and Berndorf.

HTM also operates an Admiral sports betting shop in the Magna Racino in Ebreichsdorf. In cooperation with the Wettpunkt company, eight additional locations were established in Leobersdorf, Vienna Neustadt, Stockerau, Wolkersdorf, Ternitz, Ybbs, Hollabrunn and Tulln. Finally, two additional locations were opened in Gänserndorf und Mistelbach in cooperation with the Spieltreff company.

With the “Admiral am Kurpark”, HTM also operates a four star hotel in the spa town of Baden near Vienna.

Wett Cafe Betriebsgesellschaft [Operating Company] m.b.H., a wholly owned subsidiary of HTM has over 36 locations in Styria, where slot machines are operated and sports bets are taken under provincially regulated gambling. Wett Cafe Betriebsgesellschaft m.b.H was also able to join the successes of its parent company HTM during the reporting period.

NOVOMATIC AG once again intensified its information offensive regarding gambling addiction prevention during the reporting period. For years now, addiction prevention has been a primary concern for NOVOMATIC within the scope of regulatory responsibility. The group of companies advocates comprehensive consideration of non-substance-related addictions in order to be able to take measures toward efficient and targeted prevention.

An even more comprehensive competence network is now enhancing the area of responsible gaming: based on cooperation with scientific establishments, a country-wide telephone helpline as well as regional, non-profit self-help groups aim to provide the best possible support to measures to prevent and control the danger of problematic gaming behaviour. This system was implemented during the reporting period for the first time at the group's gaming locations in Croatia.

In summer, a Europe-wide new and innovative access system was introduced in all of Admiral Entertainment's outlets in Lower Austria: Since then, every player must identify himself at the cash register with an official photo ID before entering the slot machine room. After age verification, the ID's and personal data are scanned in and entered into a centrally administered computer system which enables verification across all locations in Lower Austria.

After registering, the customer receives a membership card with a chip, the NOVOCARD™ which makes it possible to pass through the turnstile right before the gaming area. Thanks to the central storage of the data and interconnection of all the outlets, it is also possible to check playing frequency and consequently offer effective player protection.

4. Group Financial Performance Indicators

4.1. Assets Position

Total assets rose compared to 31st December 2006 by 295.1 million EUR to 917.9 million EUR. On the asset side, this increase can be primarily attributed to the increase in long-term assets to the tune of 200.3 million EUR to 523.2 million EUR. The investments concerned primarily properties and buildings totalling 43.8 million EUR, investments in technical equipment and machines in the amount of 186.8 million EUR as well as 36.6 million EUR as investments in plant and equipment. Deferred taxes accounted for 23.2 million EUR compared to 17.2 million EUR in 2006.

Current assets rose by a total of 94.7 million EUR to 394.6 EUR; stocks rose by 27.3 million EUR and accounts receivable and other receivables went up by 16.6 million EUR. Payment instruments amounted to 166.9 million EUR, 45.9 million EUR above the previous year's value. Short term financial assets went up by 5.7 million EUR to 9.9 million EUR.

Equity capital rose by 148.1 million EUR to 434.2 million EUR of which 32.6 million were minority interests. In addition, equity capital is made up of the registered capital of the parent company totalling 26.0 million EUR, the capital reserves of 1.0 million EUR, retained earnings of 377.8 million EUR as well as valuation reserves per IAS 39 totalling 0.7 million EUR and the currency conversion adjustment item equal to -3.8 million EUR. The proportion of equity capital to total capital is now 47.3 % compared to 45.9 % in the previous year.

Long-term liabilities increased in the past fiscal year by 24.6 million EUR to 218.3 million EUR. The most significant changes come from the increase in long-term financial liabilities of 15.5 million EUR, the rise in other long-term liabilities of 7.0 million EUR and the increase of 1.3 million EUR in deferred taxes.

Short-term liabilities increased in the past fiscal year by 122.4 million EUR to 265.4 million EUR. The most significant changes come from the increase in short-term financial liabilities of 54.5 million EUR, the rise of 23.3 million EUR in taxes and the increase of 37.0 million EUR in other short-term liabilities.

4.2. Financial Position

Across the group, cash flow from operating activities was 293.2 million EUR (2006: 158.3 million EUR).

Cash flow from investment activity amounted to 255.3 million EUR in 2007 and was due for the most part to investment payouts for gaming machines and the purchase of real estate as a basis for further expansion.

Cash flow from financing activity amounted to 10.5 million EUR in 2007. This resulted in a 45.9 million EUR increase in cash and cash equivalents (after currency adjustments in the amount of - 2.5 million EUR) in 2007 compared to the previous year to 166.9 EUR.

4.3. Results

In the 2007 fiscal year, group turnover increased by approx. 205.6 million EUR to 960.2 million EUR which corresponds to a relative increase of 27.3 %.

In the past fiscal year, capitalized services reached a value of 156.2 million EUR compared to 71.4 million EUR in the previous year.

Expenditures for material and purchased services went up, due to the production expansion, by 59.1 million EUR to 399.7 million EUR. The group's personnel costs amounted to 165.0 million EUR in 2007, thus representing 17.2 % of earnings (previous year: 16.9 %). Other operating expenses rose due to the considerable business expansion by 82.4 million EUR to 261.7 million EUR. The most significant increase was in expenses for taxes, insofar as these do not fall under income tax, as well as other expenses.

The EBIT thus went up by around 94.4 million EUR to 250.6 million EUR.

The negative financial results improved from - 3.4 million EUR to - 2.5 million EUR. Write-offs went up across the group due to the strengthened investment activity by 35.5 million EUR to 78.6 million EUR.

Earnings before taxes (EBT) improved by 95.4 million EUR compared to the previous year. Earnings after taxes of 65.5 million EUR yielded an annual surplus of 182.7 million EUR (2006: 113.6 million EUR). Of this, minority interests accounted for 13.2 million EUR (compared to 9.0 million in the previous year).

5. Significant Events after the Balance Sheet Date

In March 2008 was the groundbreaking for the construction of a new research and development plant which, along with new administrative premises, is scheduled to be completed by October 2009. For the future development of AGI as a developing and manufacturing flagship of the group, this investment represents a milestone in the company's history. In the future, all research work will be bundled and the activities of the international competence centres will be brought together under the most modern conditions. Since then there have not been any other significant events.

6. Developments after Balance Sheet Date

6.1. Manufacturing Division

This year again, AGI presented a host of new items just in time for the world's most important gambling trade show, the "International Casino Exhibition" (ICE) in London. As such, some ten new Coolfire™ II single slot games and a wide selection of new Coolfire™ I and Coolfire™ II multi-games were presented.

The new star of the AGI cabinet range is the Super-V+ Gaminator®. This device, optimally equipped for Coolfire™ II multi-games, represents the next standard cabinet for the company's international markets. With state of the art video gaming technology, the Super-V+ Gaminator® was designed for top performance. The Super-V+ Gaminator® offers 16:10 panoramic screens, multi-denomination and multi-language options as well as top sound thanks to a subwoofer and an active satellite speaker system. Cutting edge design and top quality make this cabinet a top casino machine for maximum appeal and outstanding performance.

The multi-player product range, in which NOVOMATIC has been a pioneer and undisputed global market leader for many years, was also expanded. The new TouchBet® Live-Blackjack and a new automatic multi-player poker table were also presented for the first time at the ICE in London. Novo TouchBet® Live-Black and Novo Texas Hold'em Poker™ are the first products to be based on the new and highly innovative multi-player platform. Both products are delivered with a wide range of live installations. The popular and leading multi-player roulette products worldwide were also shown with new features.

Another very interesting product from the 2008 range is the Flexi-Link Jackpot System by the Australian manufacturer Independent Gaming Pty Ltd. Flexi-Link is a state of the art, latest generation linked computer jackpot system. Multi-level mystery jackpots, which are continuously shown through a display of the maximum winnings in the next possible jackpot, will ensure to keep casino guests on the edge of their seats. In January, AGI introduced the first in a whole series of company-developed themes for this absorbing jackpot system.

Following the outstanding product launch of the new AGI subsidiary Crown Technologies GmbH on the German market with the Admiral Crown Slant Top, 13,000 units of this machine are expected to be sold on the German AWP market in 2008. The impressive introduction of new machine generations by the AGI subsidiary NSM-Löwen, one of the greatest successes in the history of the gaming industry, is continuing with undiminished success.

6.2. Operational Division

All things considered, for the first few months of the 2008 fiscal year, we happily note that the positive trend is continuing in all serviced and cultivated markets.

As such, the number of gaming arcades run by Extra-Games Entertainment GmbH was expanded to 115 locations (+13 locations) by the end of March.

In Croatia, the number of electronic slot machine casinos went up to 39 locations (+3 locations) by the end of March.

In Serbia, the number of electronic slot machine casinos went up to 7 locations (+3 locations) by the end of March.

In Albania, the number of electronic slot machine casinos rose to 14 locations (+3 locations) by the end of March.

In Austria, the number of electronic slot machine casinos increased to 164 locations (+5 locations) by the end of March.

7. Research and Development

As an international trendsetter and innovator, NOVOMATIC AG has constantly invested amounts far beyond the industry average in research and development. The lead in design, development, manufacturing and sales of highly innovative gaming equipment achieved in the group of company's seven internationally operating and interconnected competence centers should also be secured and increased in the coming years. This also applies to the more than 800 industrial property rights such as brands, patents and designs. In order to preserve these, the NOVOMATIC subsidiary Austrian Gaming Industries GmbH (AGI) also actively collaborates with the largest manufacturers in the industry in the fight against product piracy and counterfeiting.

Besides attractive new games and new multi-player generations with card and dice games (baccarat, blackjack, Sic Bo and poker), the core topic of networking is gaining importance. Online billing systems, information systems and networked video lottery and video network terminals are becoming as important as state-of-the-art ticket technology. Through central servers, the product mix can be optimised during ongoing operation - this way e.g. the games offered are adapted to player demand. Networking is first and foremost useful for player security and to protect against manipulations. In addition, AGI is working intensely on developing new technologies in the remote gaming field.

Furthermore, server-based gaming is becoming more and more of a trend in the industry. Indeed, for the first time a common PC-based standard for the networking systems of devices from different manufacturers is beginning to emerge. The NOVOMATIC subsidiary AGI is already a gold member of the Gaming Standards Association.

8. Risks

8.1. Legislative Risks

Legislative risks can arise out of the dependence and changes in laws, directives and regulations, especially in the area of licensing for the operation of gambling institutions and the area of production, distribution and product licences. In addition, there are risks in the area of product liability, consumer protection and due to heightening of international money laundering prevention.

8.2. Changes in Customer Behaviour

Due to the diverse recreation and entertainment offer, customer behavior is constantly changing. As such, product adaptations and constant new innovations are necessary in order to assert the market position in the target markets. It cannot be ruled out that customer or consumer wishes cannot be realized at all or not in a timely fashion.

8.3. Technological Change Risk

NOVOMATIC AG is active in a high-tech market, in which new technologies are developed or used within short innovation cycles. It cannot be ruled out that innovative technologies and developments cannot be developed or harnessed at all or not in a timely fashion.

8.4. Operating Risks

The risk of business interruption and economic loss due to fire and burglary is covered by an all risk insurance policy.

9. Financial Instruments

At NOVOMATIC AG, interests in affiliated companies and receivables and liabilities vis-à-vis affiliated companies represent significant financial instruments. In order to monitor the risk of default, the board keeps abreast of the relevant developments in these companies through regular group controlling reports. The board also keeps apprised of the ongoing trend in earnings through regular group controlling reports. The ongoing earnings trend is compared on a weekly basis with the approved annual budget and verified for deviations. The default risk or liquidity risk is therefore considered to be low. Another financial instrument at NOVOMATIC AG is the ongoing monitoring of the trend in receivables. In order to minimise the risk involved with these, compliance with payment periods granted to the customers is continuously monitored. If the payment period is exceeded, management is immediately notified and proceeds to line up appropriate collection measures. In addition, with some customers, the risk of default is also secured with bank bonds.

The considerable cash holdings resulting from the business are protected against misappropriation through internal control measures.

Current liabilities are paid for out of the cash flow. In case of tight liquidity positions, the transaction bank offers sufficient overdraft protection. Due to the group's creditworthiness, the available credit can be accessed if needed.

In order to cover interest rate risks, the current interest rate trends are constantly monitored. In the event of changes, adjustments are made immediately.

In order to cover currency risk, the development of the corresponding exchange rates is constantly monitored with transactions carried out in foreign currency. If needed, these transactions are hedged so as to minimise the risk of exchange losses.

Since the financial instruments of the individual companies follow a group-wide orientation, they are used as instruments in the group. Default risks, ongoing earnings trends, variations from the approved annual budget, etc. are examined from the point of view of the group and reported to the board.

10. Non-financial Performance Indicators

Employee Issues

As of 31st December 2007, there were 7,066 employees working at the NOVOMATIC Group and 18 salaried staff members at NOVOMATIC AG. Low employee turnover and long-term oriented employment conditions confirm the appeal of the group of companies as an employer.

As the high standard of quality can only be ensured with very well trained employees, ongoing training and continuing education activities are also primary objectives for the 2008 fiscal year. All relevant positions at NOVOMATIC AG were filled with highly qualified candidates. Ongoing recruitment activities should also ensure the future personnel needs and the internal growth of the group.

11. Acknowledgements

Special thanks go out to all employees of NOVOMATIC AG and its subsidiaries, without whom the renewed successes would not have been possible. We are especially indebted to the owner, Prof. Johann F. Graf, and to the Supervisory Board, chaired by senator Herbert Lugmayr: They have significantly contributed to the positive upward trend of NOVOMATIC AG and have thus once again created the basis for a successful future. With thanks, we would also like to call attention to the positive relationship with our capital providers and business partners which led to a prosperous and always enjoyable collaboration.

Especially in an industry which changes so rapidly and which is always characterised by new customer requirements, particular efforts and cooperation based on mutual trust among all involved are necessary to implement and achieve our common objectives. All those involved have once again proven just how capable they are.

Gumpoldskirchen, 21st April, 2008

NOVOMATIC AG



Dr. Franz Wohlfahrt
Chairman of the Board



KR DI Ryszard Presch
Deputy Chairman of the Board



Mag. Peter Stein
Member of the Board

Consolidated balance sheet

as of 12/31/2007

ASSETS	Notes	12/31/2007 (TEUR)	12/31/2006 (TEUR)
Non-current assets			
Intangible assets	(1)	45.098	30.556
Property, plant and equipment	(2)	413.249	242.492
Investment property	(3)	474	474
Investments in associated companies	(4)	11.040	9.483
Non-current financial assets	(5)	22.668	17.514
Deferred tax assets	(6)	23.176	17.211
Other non-current assets	(7)	7.454	5.184
		523.159	322.914
Current assets			
Inventories	(8)	91.424	64.088
Trade and other receivables	(9)	124.513	107.866
Current tax receivables	(6)	1.956	2.695
Current financial assets	(10)	9.925	4.244
Cash and cash equivalents	(11)	166.891	120.970
		394.709	299.863
Total ASSETS		917.868	622.777
LIABILITIES			
Equity			
Share capital	(12)	26.000	26.000
Capital reserves	(13)	976	976
Retained earnings	(14)	377.774	239.998
Revaluation reserve acc. IAS 39	(15)	675	2.573
Translation component	(16)	-3.809	-1.279
		401.616	268.268
Minority interest	(17)	32.585	17.860
		434.201	286.128
Non-current Liabilities			
Long term financial liabilities	(18)	183.622	168.111
Long term provisions	(19)	19.144	18.339
Deferred tax liabilities	(6)	7.628	6.324
Other non current liabilities	(20)	7.879	876
		218.273	193.650
Current Liabilities			
Short term financial liabilities	(21)	73.433	18.983
Short term provisions	(22)	26.920	19.222
Current tax liabilities	(6)	42.363	19.083
Trade and other liabilities	(23)	122.678	85.711
		265.394	142.999
Total LIABILITIES		917.868	622.777

Consolidated income statement

for the financial year 2007

	Notes	01 – 12/2007 (TEUR)	01 – 12/2006 (TEUR)
Sales	(24)	960.247	754.612
Changes in inventories of finished goods and work in progress	(25)	12.351	-2.170
Own work capitalized	(25)	156.220	71.378
Other operating income	(26)	26.860	22.602
Cost of material and other purchased services	(27)	-399.679	-340.558
Personnel cost	(28)	-164.984	-127.177
Amortisation of intangible and depreciation of tangible assets	(29)	-78.627	-43.098
Other operating expenses	(30)	-261.741	-179.360
Operating profit		250.647	156.229
Share of the profit/loss of associated companies	(31)	2.082	1.177
Financial income	(32)	8.711	5.292
Financial expenses	(33)	-13.270	-9.886
Financial result		-2.477	-3.417
Profit before taxes		248.170	152.812
Income taxes	(34)	-65.477	-39.221
Profit after taxes		182.693	113.591
Thereof attributable to minority interests		13.200	8.950
Thereof attributable to equity holders of the parent (net profit for the year)		169.493	104.641

Consolidated cash-flow statement

	01 – 12/2007 (TEUR)	01 – 12/2006 (TEUR)
Operating Profit	250.647	156.229
Income/Loss from the disposal of fixed assets	-3.033	89
Depreciation/Appreciation of fixed assets	78.550	43.098
Differences due to consolidation	1.696	873
Other non-cash expenses/revenues	-1.573	0
Interest received	6.724	4.679
Change in inventories, trade receivables and other assets	-47.599	-1.188
Change in provisions, trade liabilities and other liabilities	54.972	-5.067
Tax payables	-47.147	-40.395
Cash-Flow from operating activities	293.237	158.318
Proceeds from the disposal of assets (excluding financial assets)	40.745	23.573
Proceeds from financial assets and other financial investments	1.974	357
Proceeds from the sale of consolidated companies	319	0
Expenditures for additions to assets (excluding financial assets)	-282.870	-167.667
Expenditures for additions to financial assets and other financial investments	-10.147	-10.503
Expenditures for acquisition of companies	-6.990	-12.533
Net proceeds from associated companies and investments	1.666	952
Cash-Flow from investing activities	-255.303	-165.821
Dividend payments	-36.425	-13.131
Payments received from other shareholders	1.627	0
Expenditures for bank loans and financial liabilities	56.590	-6.066
Interests paid	-11.273	-7.073
Cash-Flow from financing activities	10.519	-26.270
Change in cash and cash equivalents affecting payment	48.453	-33.773
Translation adjustments	-2.531	-1.279
Change in cash and cash equivalents	45.922	-35.052
Cash and cash equivalents at the beginning of the year	120.970	156.022
Cash and cash equivalents at the end of the year	166.892	120.970
Change in cash and cash equivalents	45.922	-35.052

Statement of changes in shareholders' equity

All values in TEUR	Shares of the equity holders of NOVOMATIC AG						Minority interests	Shareholders' equity
	Share capital	Capital reserve	Retained Earnings	Reserves acc. IAS 39	Translation component	Total		
Balance on 01/01/2007	26.000	976	239.998	2.573	-1.279	268.268	17.860	286.128
1) Capital Increase								
2) Dividend payments			-30.000			-30.000	-1.250	-31.250
3) Foreign exchange adjustments					-2.530	-2.530	-45	-2.575
4) Income/Expense realized in the year under report								
a) Items recognized directly in equity								
Reserves for interest hedge								
Reserves for securities				-1.898		-1.898		-1.898
b) Net Income			169.493			169.493	13.201	182.694
Total Income for the year	0	0	169.493	-1.898	0	167.595	13.201	180.796
5) Change in minority interests			-1.717			-1.717	2.819	1.102
Balance on 12/31/2007	26.000	976	377.774	675	-3.809	401.616	32.585	434.201

All values in TEUR	Shares of the equity holders of NOVOMATIC AG						Minority interests	Shareholders' equity
	Share capital	Capital reserve	Retained Earnings	Reserves acc. IAS 39	Translation component	Total		
Balance on 01/01/2006	26.000	976	168.832	1.349	0,00	197.157	8.632	205.789
1) Capital Increase						0	397	397
2) Dividend payments			-30.000			-30.000	-2.106	-32.106
3) Foreign exchange adjustments					-1.279	-1.279	-43	-1.322
4) Income/Expense realized in the year under report								
a) Items recognized directly in equity								
Reserves for interest hedge				20		20		20
Reserves for securities				1.204		1.204		1.204
b) Net Income			104.641			104.641	8.821	113.462
Total Income for the year	0	0	104.641	1.224	0	105.865	8.821	114.686
5) Change in minority interests			-3.475			-3.475	2.159	-1.316
Balance on 12/31/2006	26.000	976	239.998	2.573	-1.279	268.268	17.860	286.128

Consolidated financial statement

As of December 31st, 2007

Notes

Basis of Preparation and Methods

Information about the company

The NOVOMATIC Group consists of the NOVOMATIC AG and its subsidiaries. NOVOMATIC AG is a public limited company according to the Austrian legislation and its registered office is in Gumpoldskirchen, Austria. The company's address is NOVOMATIC AG, Wiener Straße 158, 2352 Gumpoldskirchen. The company is filed at the Register of Companies maintained by the Regional Court of Wiener Neustadt under FN 69548 b. The NOVOMATIC group is one of the largest integrated gambling corporations in the world. The organisations united in the holding company operate in the entire spectrum of the gambling and entertainment industry.

Its field of activity and range of services comprise:

- Development, production and sale of gambling machines as well as casino equipment
- Planning, construction and management of casinos
- Operation of electronically amusement machine casinos, Live Game casinos, bingos, lotteries and international betting agencies
- Casino and entertainment technologies
- Commitment to innovative technologies (interactive games)
- Networking systems

Accounting Principles

For the first time, the present consolidated financial statement as of December 31st, 2007 was prepared in application of section 245a of the Austrian Company Code in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, issued by the International Accounting Standards Board (IASB). According to the sections 245a and 906 para 12 of the Austrian Company Code and section 4 of the regulation No 1606/2002 of the European Parliament and Council from July 19, 2002, capital market oriented companies, whose debt certificates are listed on a regulated market, are obligated to provide a consolidated financial statement complying with the regulations of IFRS for the business years beginning after December 31st, 2006.

The impact of the first-time application of IFRS on the group's financial position and its results of operation is illustrated in the notes to the changeover to IFRS.

The changeover to IFRS is displayed in consideration of IFRS 1 "First-time Application of International Reporting Standards". The date of the transition is January 1st, 2006.

The consolidated financial statements up to and including the financial year 2006 were prepared in accordance with the respectively relevant regulations published in the Austrian Company Code.

The business year corresponds to the calendar year. The financial statements of every domestic or foreign company included in the consolidated financial statement 2007 were prepared as of the balance sheet date of the consolidated financial statements.

All items in the consolidated financial statement are shown in thousand euros (TEUR), for the purpose of clarity. Because of the financial rounding of values and percentages insignificant differences can occur.

Application of new and amended accounting standards and interpretations

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

Amendment of IAS 1 „Presentation of Financial Statements“	To apply for business years beginning on or after January 1 st , 2009; not yet adopted by EU legislation.
Amendment of IAS 23 „Borrowing costs“	To apply for business years beginning on or after January 1 st , 2009; not yet adopted by EU legislation.
Amendment of IAS 32 „Financial Instruments: Presentation“	To apply for business years beginning on or after January 1 st , 2009; not yet adopted by EU legislation.
Amendment of IAS 27 „Consolidated and Separate Financial Statements“	To apply for business years beginning on or after January 1 st , 2009; not yet adopted by EU legislation.
Amendment of IFRS 3 „Business Combinations“	To apply for business years beginning on or after January 1 st , 2009; not yet adopted by EU legislation.
IFRS 8 „Operating Segments“	To apply for business years beginning on or after January 1 st , 2009
IFRIC 11 „IFRS 2 – Group and Treasury Share Transactions“	To apply for business years beginning on or after March 1 st , 2007
IFRIC 12 „Service Concession Arrangements“	To apply for business years beginning on or after January 1 st , 2008; not yet adopted by EU legislation
IFRIC 13 „Customer Loyalty Programs“	To apply for business years beginning on or after January 1 st , 2008; not yet adopted by EU legislation
IFRIC 14 „IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction“	To apply for business years beginning on or after January 1 st , 2008; not yet adopted by EU legislation

The NOVOMATIC Group does not expect any significant repercussions resulting from the first-time application of the standards and interpretations mentioned above on its financial position and its results of operation.

Scope of consolidation

As the highest parent company, NOVOMATIC AG prepares the consolidated financial statement. This financial statement comprises NOVOMATIC AG and the companies it controls. The control over a subsidiary is presumed if the NOVOMATIC AG owns directly or indirectly through an affiliate more than 50% of the votes of this company and therefore has the power to govern its financial and operating policies so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the acquisition date, i.e. the date on which the group gains control over the company. The inclusion in the consolidated financial statement ends when the parent no longer exercises control over the subsidiary.

The equity-method is applied for companies that are under significant influence of, but can not be considered controlled by, the NOVOMATIC AG.

As a consequence of the changeover to IFRS the following companies were added to the consolidation scope as of December 31st, 2006:

- Eagle Investment Sh.A., Albania (100%)
- Adriatik Game Sh.A., Albania (100%)
- Planeta Igr COO, Belarus (100%)
- Igotech-Import OOO, Ukraine (100%)
- Novotech OOO, Russia (96,61%)
- Arena Sportwetten GmbH, Austria (100%)

During the year 2007 the group has acquired or founded the following subsidiaries:

- AuTec Automatenbetriebsges.m.b.H., Austria (90%)
- Barclajs Speles SIA, Latvia (60%)
- Zolotaya Buhta OOO, Russia (99%)
- National Lotteries OOO, Russia (60%)
- HTL d.o.o. Sarajevo, Bosnia (100%)
- Admiral Italia Scommesse Sportive s.r.l., Italy (100%)
- Crown Technologies GmbH, Germany (90 %)
- Novochile Ltda., Chile (99 %)
- NOVOMATIC Investment Chile S.A., Chile (100%)
- NOVOMATIC Holding Chile Ltda., Chile (100 %)
- Novo Sun S.A., Chile (100 %)
- NOVOMATIC Peru S.A.C., Peru (100 %)
- Crown Gaming S.A.C., Peru (60 %)
- Sierra Machines S.A.C., Peru (60 %)
- Adria Gaming International S.p.A., Italy (100 %)
- Novo AS d.o.o., Slovenia (100 %)

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

Therefore the scope of consolidation shows the following development:

Consolidation scope	Fully consolidated	At Equity Valuation
Balance on 12/31/2006 Austrian Company Code	41	8
Changeover to IFRS	6	-
Balance on 12/31/2006 IFRS	47	8
First-time inclusion in 2007	16	-
Released in 2007	-2	-
Balance on 12/31/2007	61	8
Thereof foreign companies	47	7

Fully consolidated companies

IC-Code	Company, Domicile	Super-ordinate company	Direct share	Indirect share	Equity (TEUR)	Profit for the year (TEUR)
ABSPL	ABS S.A., Poland	AGI	99,00%	99,00%	39	6
AICHR	Admiral International Casinos d.o.o., Croatia	NOGHR	100,00%	100,00%	-2.193	-220
ADI	Admiral Invest GmbH, Austria	NAG	100,00%	100,00%	633	-10
AISSIT	Admiral Italia Scommesse Sportive s.r.l., Italy	ASWTK	100,00%	100,00%	-829	-839
AKMSI	Admiral Kazino Mediterran d.o.o., Slovenia	NOVSI	100,00%	100,00%	383	-25
ASBUK	Admiral Sports Betting Ltd., United Kingdom	ASWTK	100,00%	100,00%	1.755	130
ASWTK	Admiral Sportwetten GmbH, Austria	AGI	100,00%	100,00%	1.639	64
ADRIT	Adria Gaming International S.p.A., Italy	NAG	100,00%	100,00%	916	-84
ADRIAL	Adriatik Game Sh.A., Albania	EAGAL	100,00%	100,00%	1.595	-111
AAGHU	AGI American Games Kft., Hungary	AGIHU	100,00%	100,00%	1.244	-92
AGIHU	AGI Hungaria Kft., Hungary	AGI	100,00%	100,00%	17.210	1.429
ALFLV	Alfor SIA, Latvia	AGI	60,00%	60,00%	64.064	32.358
ALGAST	Algast Gastronomie GmbH, Austria	AGI	100,00%	100,00%	661	75
ALSGRU	ALS Group OOO, Russia	AGI	60,00%	60,00%	250	38
ALSRU	ALS OOO, Russia	ALSGRU	60,00%	100,00%	-79	0
NEE	AS Novoloto, Estonia	NAG	100,00%	100,00%	6.358	-1.687
ASTUK	Astra Games Holdings Ltd.(TK), United Kingdom	NOGUK	90,00%	90,00%	7.297	3.559
AGI	Austrian Gaming Industries GmbH, Austria	NAG	100,00%	100,00%	406.844	111.645
AUTEC	Autec AutomatenbetriebsgmbH, Austria	AGI	90,00%	90,00%	1.225	198
BARKLV	Barclajs Speles SIA, Latvia	AGI	60,00%	60,00%	4.362	-526
CROPE	Crown Gaming S.A.C., Peru	NOVOPE	60,00%	60,00%	3.091	-17
CRODE	Crown Technologies GmbH, Germany	AGI	90,00%	90,00%	984	-1.195
EAGAL	Eagle Investment Sh.A, Albania	AGI	100,00%	100,00%	3.572	289
ERBAHR	Erba d.o.o., Croatia	NOGHR	100,00%	100,00%	542	-448
EXTDE	Extra-Games Entertainment GmbH, Germany	AGI	86,00%	86,00%	15.190	-1.147
GAM	G.A.M.E. SYS Geldspiel-Automaten-Miet_Elektronik-System GmbH, Austria	AGI	100,00%	100,00%	1.414	-320
GUB	Gastronomie-u.Unterhaltungselektronik Betriebs GmbH, Austria	HTM	100,00%	100,00%	2.126	437
HTSI	HT Management d.o.o., Slovenia	NOVOSI	100,00%	100,00%	2.759	-192
HTLBA	HTL d.o.o. Sarajevo, Bosnia and Herzegovina	AGI	100,00%	100,00%	2.858	-225
HTM	HTM Hotel- u. Tourismus Management GmbH, Austria	NAG	100,00%	100,00%	36.621	12.904
IGROUA	Igrotech-Import OOO, Ukraine	AZATLT	80,00%	100,00%	1.476	-705
SCHAAF	J.u.C. Schaaf Spielautomatenbetriebsges.m.b.H., Austria	GAM	100,00%	100,00%	901	122
NATRU	National Lotteries OOO, Russia	AGI	60,00%	60,00%	74	-10
NOVSI	NOVO AS d.o.o.(Desolo d.o.o.), Slovenia	AGI	100,00%	100,00%	4	-3
NOGHR	Novo Gaming d.o.o., Croatia	AGI	100,00%	100,00%	33.732	1.961
NOGUK	Novo Gaming UK Ltd., United Kingdom	AGI	100,00%	100,00%	1.394	-712
IKGDE	Novo Immobilien GmbH, Germany	NAG	99,80%	99,80%	3.419	668
NOVORO	Novo Invest Co srl, Romania	AGI	99,00%	99,00%	13.044	490
NOVOSI	Novo Investicije d.o.o., Slovenia	AGI	100,00%	100,00%	3.157	-170
NPL	Novo Poland Sp.z o.o., Poland	NAG	90,00%	90,00%	2.018	685
NOSUCL	Novo Sun S.A., Chile	NHCCL	100,00%	100,00%	2.054	-12

IC-Code	Company, Domicile	Super-ordinate company	Direct share	Indirect share	Equity (TEUR)	Profit for the year (TEUR)
NOVOCL	Novochile Ltda., Chile	AGI	99,00%	99,00%	-23	-25
NCDE	NOVOMATIC Casino u. Automatentechnik GmbH Berlin, Germany	NAG	100,00%	100,00%	-1.654	-6.155
AON	NOVOMATIC Europahaus GmbH, Austria	NAG	100,00%	100,00%	822	-48
NHCCL	NOVOMATIC Holdings Chile Ltda., Chile	NICCL	100,00%	100,00%	2.065	0
NICCL	NOVOMATIC Investment Chile S.A., Chile	NAG	100,00%	100,00%	239	-108
NOVOPE	NOVOMATIC Peru S.A.C., Peru	AGI	100,00%	99,99%	1.863	-2
NOVORU	Novotech OOO, Russia	AZATLT	77,29%	96,61%	3.369	339
NSMLDE	NSM-Löwen Entertainment GmbH, Germany	AGI	100,00%	100,00%	67.440	35.037
HTLRU	OOO HTL Posledni Per., Russia	AGI	99,00%	99,00%	27.007	-2.972
HTLUA	OOO HTL UkraineLCC, Ukraine	AGI	100,00%	100,00%	16.414	3.075
PLANBY	Planeta Igr COO, Belarus	AZATLT	100,00%	100,00%	364	79
INTRO	SC Intertop srl, Romania	AGI	99,00%	99,00%	3.083	-130
SIMAPE	Sierra Machines S.A.C., Peru	CROPE	100,00%	100,00%	1.338	-72
SWP	Sportwetten Pirker GmbH, Austria	HTM	100,00%	100,00%	2.031	923
TECPL	Techno Invest Sp.z o.o., Poland	NAG	90,00%	90,00%	734	334
TREU1	Treuhand GmbH, Austria	AGI	60,00%	60,00%	883	39
AZATLT	UAB Azarto Technika, Lithuania	AGI	80,00%	80,00%	12.024	2.155
WEC	Wett Cafe Betriebs GmbH, Austria	HTM	100,00%	100,00%	13.055	3.619
ZOLRU	Zolotaya Bukhta OOO, Russia	HTLRU	98,80%	99,80%	24.511	2.209

Companies consolidated at equity

IC-Code	Company, Domicile	Super-ordinate company	Direct share	Indirect share	Equity (TEUR)	Profit for the year (TEUR)
ALWSA	Admiral Leisure World Ltd., South Africa	AGI	95,21%	95,21%	-454	801
CACPL	Casino Centrum Lodz, Poland	TECPL	0	33,33%	673	141
ESTRPL	Estrada Polaska Sp.z.o.o., Poland	NPL	0	25,56%	4.710	3.045
GSM	Giochi San Marino S.p.a., San Marino	AGI	26,54%	26,54%	7.664	1.957
POL	H.Polanz GmbH, Austria	WEC	50,00%	50,00%	3.356	992
UGIRU	OOO United Gaming Industries, Russia	AGI	50,00%	50,00%	1.033	-689
SIMKDE	SIM Spielbanken, Investitions- Beteiligungs- und Management GmbH & Co.KG, Frankfurt, Germany	NAG	49,00%	49,00%	7.937	1.191
SIMDE	SIM Spielbanken, Investitions- und Management GmbH, Frankfurt, Germany	NAG	49,00%	49,00%	51	5

Companies consolidated at equity

IC-Code	Company, Domicile	Super-ordinate company	Direct share	Indirect share
ADMICS	Admira d.o.o., Serbia	NOVOCS	70%	70%
CLUBUK	Admiral Club Ltd., United Kingdom	AGI	100%	100%
AFBUK	Admiral Financial Betting Ltd., United Kingdom	ASWTK	100%	100%
APDE	Admiral Pferdewetten Deutschland GmbH, Germany	ASWTK	100%	100%
ADSLES	Admiral Slots S.A., Spain	NOGES	60%	60%
ERBFHR	Erba Fortunatus d.o.o., Croatia	ERBAHR	100%	100%
FORTDE	Fortumat Spiel- und Automatenbetriebs GmbH, Germany	NSMLDE	100%	100%
FRIBY	Fri Game COOO, Belarus	AZATLT	80%	100%
FUTHR	Futura Casinos d.o.o., Croatia	AICHR	100%	100%
GMT	GMT Gastro-Maschinen-Technik GmbH, Austria	HTM	100%	100%
HTLME	HTL Montenegro d.o.o., Montenegro	AGI	100%	100%
IGRORU	Igrotech OOO, Russia	AZATLT	79,20%	99%
IGRARU	Igrotechnika OOO, Russia	AZATLT	80%	100%
MEDHR	Mediteran Gaming d.o.o., Croatia	NOGHR	100%	100%
IVGDE	Novo Immobilien Verwaltungsges.m.b.H., Germany	IKGDE	99,80%	100%
NOVOBG	Novo Invest Bulgaria EOOD, Bulgaria	AGI	100%	100%
NOVOCS	Novo Investment d.o.o., Serbia	AGI	100%	100%
NEVUS	Novo Nevada Inc., USA	NAG	100%	100%
NOVLT	Novogaming Vilnius UAB, Lithuania	AGI	100%	100%
COLUS	NOVOMATIC Colorado Inc., USA	AGI	100%	100%
NOGES	NOVOMATIC Gaming Spain S.A., Spain	AGI	100%	100%
NAM	NOVOMATIC Namibia (Pty) Ltd., Namibia	NAG	100%	100%
SENHU	Senator SW Kft., Hungary	WEC	100%	100%
TAT	Tatschl GmbH, Austria	AGI	100%	100%

Acquisitions

AuTec Automatenbetriebs GmbH

With the resolution from January 15th, 2007, within a unilateral capital increase, Austrian Gaming Industries GmbH became a shareholder (90 %) of AuTec Automatenbetriebs GmbH.

The fair value of the identifiable assets and liabilities of Autec Automatenbetriebs GmbH at the acquisition date February 1st, 2007 and the respective book values directly before the acquisition date present themselves as follows:

In TEUR	Book Value	Adjustments to the fair value	Fair Value
Intangible assets	1		1
Property, plant, equipment	469	11	480
Financial assets	0		0
Other non-current assets	10		10
Deferred tax assets	0		0
Inventories	4		4
Cash and cash equivalent	221		221
Other current assets	52		52
Minority interest	0		0
Long term liabilities and provisions	-235		-235
Deferred tax liabilities	0	-2	-2
Short term liabilities and provisions	-405		-405
Net Assets	117	9	126
Acquired net assets			114

The purchase was effected through a capital increase of 900 TEUR that accrued in cash to the company.

In TEUR	2007
Purchase price	90
Minus acquired net assets	-114
Received surplus affecting income	-24

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

In TEUR	2007
Purchase price in cash	0
Liquid funds of the purchased company	-221
Investment in subsidiary	-221

Barclajs Speles SIA

Since February 1st, 2007, the Group holds 60% of Barclajs Speles SIA.

The fair value of the identifiable assets and liabilities of Barclajs Speles SIA at the acquisition date February 1st, 2007 and the respective book values directly before the acquisition date present themselves as follows:

In TEUR	Book Value	Adjustments to the fair value	Fair Value
Intangible assets	0		0
Property, plant, equipment	272		272
Financial assets	0		0
Other non-current assets	0		0
Deferred tax assets	0		0
Inventories	49		49
Cash and cash equivalent	1.061		1.061
Other current assets	48		48
Minority interest	0		0
Long term liabilities and provisions	0		0
Deferred tax liabilities	0		0
Short term liabilities and provisions	-129		-129
Net Assets	1.301		1.301
Acquired net assets			781

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

In TEUR	2007
Purchase price	1.143
Minus acquired net assets	-781
Received surplus affecting income	362

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

In TEUR	2007
Purchase price in cash	1.143
Liquid funds of the purchased company	-1.061
Investment in subsidiary	82

Zolotaya Buhta 000

On April 6th, 2007 and on April 28th, 2007 respectively, Austrian Gaming Industries GmbH acquired a 0.0004 % interest in Zolotaya Buhta 000 and 000 HTL acquired further 99.7987% of the company, resulting in a share of 99.7991% at group level.

The fair value of the identifiable assets and liabilities of Zolotaya Buhta 000 at the acquisition date April 28th, 2007 and the respective book values directly before the acquisition date present themselves as follows:

In TEUR	Book Value	Adjustments to the fair value	Fair Value
Intangible assets	0		0
Property, plant, equipment	1.184		1.184
Financial assets	0		0
Other non-current assets	0		0
Deferred tax assets	0		0
Inventories	0		0
Cash and cash equivalent	128		128
Other current assets	1.782		1.782
Minority interest	0		0
Long term liabilities and provisions	0		0
Deferred tax liabilities	0		0
Short term liabilities and provisions	-1.523		-1.523
Net Assets	1.571		1.571
Acquired net assets			1.568

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

In TEUR	2007
Purchase price	3
Minus acquired net assets	-1.568
	-1.565
Minus an indirect minority interest of 1%	16
Received surplus affecting income	-1.549

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

In TEUR	2007
Purchase price in cash	3
Liquid funds of the purchased company	-128
Investment in subsidiary	-125

Crown Technologies GmbH

After the approval of the German antitrust division, the group acquired the controlling majority (90%) of Crown Technologies GmbH on August 8th, 2007.

The fair value of the identifiable assets and liabilities of Crown Technologies GmbH at the acquisition date August 8th, 2007 and the respective book values directly before the acquisition date present themselves as follows:

In TEUR	Book Value	Adjustments to the fair value	Fair Value
Intangible assets	414		414
Property, plant, equipment	179		179
Financial assets	0		0
Other non-current assets	0		0
Deferred tax assets	0	73	73
Inventories	1.307		1.307
Cash and cash equivalent	266		266
Other current assets	868		868
Minority interest	0		0
Long term liabilities and provisions	0		0
Deferred tax liabilities	0		0
Short term liabilities and provisions	-1.903		-1.903
Net Assets	1.131	73	1.204
Acquired net assets			1.083

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

In TEUR	2007
Purchase price	2.700
Minus acquired net assets	-1.083
Received surplus affecting income	1.617

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

In TEUR	2007
Purchase price in cash	2.700
Liquid funds of the purchased company	-266
Investment in subsidiary	2.434

Sierra Machines S.A.C

On November 15th, 2007, the 60% subsidiary of NOVOMATIC Peru S.A.C, Crown Gaming S.A.C., acquired 100% of Sierra Machines S.A.C..

The fair value of the identifiable assets and liabilities of Sierra Machines S.A.C. at the acquisition date November 15th, 2007 and the respective book values directly before the acquisition date present themselves as follows:

In TEUR	Book Value	Adjustments to the fair value	Fair Value
Intangible assets	0	2.498	2.498
Property, plant, equipment	975	49	1.024
Financial assets	0		0
Other non-current assets	0		0
Deferred tax assets	43		43
Inventories	0		0
Cash and cash equivalent	304		304
Other current assets	226		226
Minority interest	0		0
Long term liabilities and provisions	-489		-489
Deferred tax liabilities	0		0
Short term liabilities and provisions	-1.343	-855	-2.198
Net Assets	-284	1.692	1.408
Acquired net assets			1.408

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

In TEUR	2007
Purchase price	3.045
Minus acquired net assets	-1.408
	1.637
Minus an indirect minority interest of 1%	-655
Received surplus affecting income	982

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

In TEUR	2007
Purchase price in cash	3.045
Liquid funds of the purchased company	-304
Investment in subsidiary	2.741

ALS Group 000 und ALS 000

With the resolution of June 9th, 2006, a 60% interest in the ALS Group 000 and subsequently its 100% subsidiary ALS 000, both operating in Russia, were acquired.

The fair value of the identifiable assets and liabilities at the acquisition date July 1st, 2006 of both companies, operating in the field development and design of gambling games, and the respective book values directly before the acquisition date present themselves as follows:

In TEUR	Book Value	Adjustments to the fair value	Fair Value
Intangible assets	250	-249	1
Property, plant, equipment	95		95
Financial assets	0		0
Other non-current assets	0		0
Deferred tax assets	63	-63	0
Inventories	2		2
Cash and cash equivalent	1		1
Other current assets	27		27
Minority interest	0		0
Long term liabilities and provisions	-87		-87
Deferred tax liabilities	0		0
Short term liabilities and provisions	-351		-351
Net Assets	0	-312	-312
Acquired net assets			-188

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

In TEUR	2006
Purchase price	1.260
Minus acquired net assets	188
Received surplus affecting income	1.448

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

In TEUR	2006
Purchase price in cash	1.260
Liquid funds of the purchased company	-1
Investment in subsidiary	1.259

UAB Azarto Technika – Group

On June 30th, 2006, an 80% interest in UAB Azarto Technika, Lithuania and its subsidiaries was acquired.

The fair value of the identifiable assets and liabilities of UAB Azarto Technika at the acquisition date June 30th, 2006 and the respective book values directly before the acquisition date present themselves as follows:

In TEUR	Book Value	Adjustments to the fair value	Fair Value
Intangible assets	4		4
Property, plant, equipment	5.027		5.027
Financial assets	1.216		1.216
Other non-current assets	300		300
Deferred tax assets	0		0
Inventories	5.777		5.777
Cash and cash equivalent	295		295
Other current assets	4.076		4.076
Minority interest	-105		-105
Long term liabilities and provisions	-25		-25
Deferred tax liabilities	-264		-264
Short term liabilities and provisions	-7.536		-7.536
Net Assets	8.765		8.765
Acquired net assets			7.012

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

In TEUR	2006
Purchase price	8.000
Minus acquired net assets	-7.012
Received surplus affecting income	988

The purchase price was settled through the conversion of receivables into equity, resulting in a net cash drain shown below:

In TEUR	2006
Purchase price in cash	0
Liquid funds of the purchased company	-295
Investment in subsidiary	-295

Algst Gastronomie GmbH

On September 21, 2006, 100% of the Algst Gastronomie GmbH were acquired.

The fair value of the identifiable assets and liabilities of Algst Gastronomie GmbH at the acquisition date September 21, 2006 and the respective book values directly before the acquisition date present themselves as follows:

In TEUR	Book Value	Adjustments to the fair value	Fair Value
Intangible assets	0		0
Property, plant, equipment	8		8
Financial assets	0		0
Other non-current assets	0		0
Deferred tax assets	87		87
Inventories	86		86
Cash and cash equivalent	163		163
Other current assets	51		51
Minority interest	0		0
Long term liabilities and provisions	-31		-31
Deferred tax liabilities	0		0
Short term liabilities and provisions	-545		-545
Net Assets	-181		-181
Acquired net assets			-181

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

In TEUR	2006
Purchase price	35
Minus acquired net assets	181
Received surplus affecting income	216

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

In TEUR	2006
Purchase price in cash	35
Liquid funds of the purchased company	-163
Investment in subsidiary	-128

Disposals

BPA Freizeit- & Unterhaltungsbetriebs GmbH

On June 1st, 2007, the 80% share of the BPA Freizeit- & Unterhaltungsbetriebs GmbH was sold.

The fair value of the identifiable assets and liabilities of BPA Freizeit- & Unterhaltungsbetriebs GmbH at the date of sale June 1st, 2007 and the respective book values directly before the sale date present themselves as follows:

In TEUR	Book Value in the group
Intangible assets	1.466
Property, plant, equipment	1.078
Financial assets	0
Other non-current assets	0
Deferred tax assets	0
Inventories	0
Cash and cash equivalent	1.681
Other current assets	163
Minority interest	0
Long term liabilities and provisions	-401
Deferred tax liabilities	0
Short term liabilities and provisions	-2.545
Net Assets	1.442
Net assets disposed of	1.154

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

In TEUR	2007
Selling price	2.000
Minus acquired net assets	-1.154
Revenue	846

Significant Accounting Policies

Basis of Consolidation

Upon the capital consolidation the purchase method of accounting was applied, meaning that the acquisition costs were offset against the proportional identifiable assets and liabilities allotted to the parent company. The date of the changeover from the Austrian Company Code to IFRS is January 1st, 2006. As of this date, in accordance with IFRS 3 Business Combinations, any excess of the costs of acquisition over the fair values of the identifiable net assets acquired are recognized as goodwill and no longer amortized on a regular basis.

Subsidiaries are consolidated for the first time at the date of acquisition, i.e. the date on which control is achieved over their net assets and their operating activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal.

In case of an increase of an already existing majority interest the resulting difference is directly offset within equity.

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

All significant inter-company receivables, liabilities, expenses and earnings as well as balances are eliminated.

For the currency translation of foreign financial statements the concept of the functional currency is used. For all companies this is the local currency, because under financial, economical and organizational aspects these entities conduct their business independently.

Apart from the positions within equity, all items are translated in Euros at the exchange rate prevailing at the balance sheet date. Income and expense items are translated at average exchange rates for the period. Exchange differences arising, are classified as equity not affecting net income. At the retirement of a foreign company from the consolidation scope this exchange difference is recognized in the income statement.

The exchange rates used for the currency translation show the following development:

Equivalent amount = 1 EUR	Exchange rate prevailing at balance sheet date		Average exchange rate for the year	
	12/31/2007	12/31/2006	2007	2006
Albanian LEK	121,7800	123,8500	123,6300	123,12083
Bosnian convertible Mark	1,9558		1,9558	
British Pounds	0,7355	0,6710	0,687417	0,6820
Chilean Peso	725,7300		718,354167	
Estonian Crown	15,6466	15,6466	15,6466	15,6466
Croatian Kuna	7,3360	7,3500	7,337667	7,3230
Latvian lats	0,6964	0,6972	0,7000	0,6963
Lithuanian Litas	3,4528	3,4528	3,4528	3,4528
Peruvian new Sol	4,3505		4,297208	
Polish Zloty	3,5900	3,8300	3,777292	3,8990
Romanian Lei	3,5351	3,3835	3,337942	3,5125
Russian Rouble	35,9900	34,6690	35,073167	34,1350
Slovenian Tolar		239,6400		239,6400
Hungarian Forint	251,0000	251,0000	250,541667	263,3000
Ukrainian Hryvnia	7,4195	6,6524	6,959042	6,35687

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are stated in the balance sheet at acquisition or production costs, less the scheduled linear amortisation/depreciation. Production costs comprise direct costs as well as appropriate material and manufacturing costs. Administration expenses and borrowing costs are not capitalized.

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

Impairment is recognised in the year the event causing the impairment arises. Where an impairment loss subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

In case of business combinations, any excess of the costs of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill and, in accordance with IFRS 3, not written off. Instead, every year or if there is any indication that the asset has suffered an impairment loss, the carrying amounts of the goodwill are submitted to an impairment test. If the carrying amount of a cash generating unit, attributed with goodwill, exceeds its recoverable amount, the attributed goodwill is written off to its recoverable amount by the means of an extraordinary amortisation. An impairment loss exceeding the goodwill will lead to the proportional reduction of the carrying amounts of the remaining fixed assets.

The depreciation rates are calculated under the assumption of the estimated useful lives, as follows:

	Useful-life in years	
	from	to
Intangible Assets:		
Software	3	5
Patents and trademarks	10	15
Other intangible assets	3	10
Property, plant, equipment:		
Building	20	50
Investments in rented property	10	20
Machines	3	10
Gambling machines	3	5
Equipment	3	10

Investment property

Investment property concerns land held as financial investment and with no definitive utilisation at the moment. It is valued at amortised costs.

Leasing and tenancy

Leasing and tenancy agreements, where all risks and rewards of ownership are transferred to the group and that are in connection with the use of assets, are classified as finance leases. Assets held under finance lease are recognised at the present value of the lease or tenancy payments and written off over the estimated useful-life. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation, representing the present value of all lease and tenancy payments outstanding at the balance sheet date.

All other leases or tenancies are qualified as operating leases. Rentals payable are charged as expenses.

Financial Assets

The financial assets are not held-for-trading. As long as the expressed intention and the ability to hold the asset to maturity persists, it is valued at amortised costs, less any impairment loss recognised to reflect any irrecoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the carrying amount does not exceed the acquisition costs.

The securities within the financial assets are classified as available-for-sale and are measured at fair value. The fair value of the securities corresponds to the exchange price at balance sheet date.

Other investments, whose fair value cannot be evaluated, are valued at costs, less any possible impairment.

Investments are recognised or derecognised on trade-date basis. At each balance sheet date, financial assets are reviewed to determine if those assets have suffered an impairment loss. The group only derecognises a financial asset if contractually-accorded rights to receive cash flows from the asset have expired or if the financial asset and all its risks and rewards are transferred to a third party.

Inventories

Inventories are stated at the lower of cost or net realisable value. Costs of raw materials are calculated using the weighted average method. The Company reviews inventories for slow movement or obsolete items and establishes appropriate adjustments if necessary.

Receivables

Trade receivables as well as other short-term receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Receivables in foreign currencies are valued at the exchange rate prevailing on the balance sheet date. Gains and losses resulting from the currency translation are recognised in the income statement.

Tax receivables and liabilities are offset when they are levied by the same taxation authority and if the authorisation and intention for the offset exist.

Provisions

Provisions for pensions or similar liabilities as well as provisions for severance and jubilee payments are measured according to the regulations of IAS 19 (revised 2004) using the projected-unit-credit-method, which divides the costs of the estimated benefit entitlements over the whole period of employment and thus takes future increases in remuneration into account. Actuarial gains and losses falling within a corridor of 10% of the greater of projected benefit obligations and plan assets – measured in both cases at the beginning of the year – are not recognized in pensions and severance payments provisions. Actuarial gains and losses falling outside this corridor are distributed according to the average remaining years of service of the participants in the plan. The accrued amounts are based on the expert opinion of a qualified actuary as of the balance sheet date.

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

Liabilities

Trade and other liabilities are stated at amortised costs. Liabilities in foreign currencies are valued at the offered exchange rate at balance sheet date. Gains and losses resulting from the currency translation are recognised in the income statement.

Derivative financial instruments

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

Revenue Recognition

Sales of goods and services are recognised when goods are delivered to the customer and title has passed. Operating expenses are recognised at the date of use of the service.

Financial result

Financial expenses comprise interest from borrowings and finance leases, interest-like expenses as well as charges and results resulting from interest hedges.

Financial income includes interest from the placement of funds and investments in financial assets, dividends received and similar income as well as loss and profit resulting from the disposal or impairment of financial assets.

Taxes

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

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

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

Country	Tax rate 2007	Tax rate 2006
Austria	25%	25%
Germany	18,3% - 39%	18,3% - 39%
Latvia	15%	15%
Poland	19%	19%
England	28% u. 30%	30%
Romania	16%	16%
Croatia	20%	20%
Slovenia	20%	21%
Albania	20%	20%
Russia	24%	24%
Lithuania	18%	19%
Ukraine	25%	25%
Italien	27,5% u. 37,25%	
Peru	30%	
Chile	17%	
Hungary	16% u. 19%	16% u. 19%
Belarus	25%	25%
Bosnia and Herzegovina	30%	

Estimates

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

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

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

Borrowing costs are immediately recognised as expense using the benchmark method.

Notes to the consolidated balance sheet

(1) Intangible Assets

In TEUR

Acquisition costs	Goodwill	Trademarks and patents	Other intangible assets	Prepayments	Total
Balance as of 01/01/2006	3.488	7.241	18.838	64	29.631
Adjustments due to currency translation	1	0	-1	0	0
Change in the consolidation scope	0	0	268	0	268
Additions	2.642	0	13.782	79	16.503
Disposals	-61	0	-297	4	-354
Reclassifications	0	0	162	-132	30
Balance as of 12/31/2006	6.070	7.241	32.752	15	46.078

In TEUR

Acquisition costs	Goodwill	Trademarks and patents	Other intangible assets	Prepayments	Total
Balance as of 12/31/2006	6.070	7.241	32.752	15	46.078
Adjustments due to currency translation	-4	0	-8	0	-12
Change in the consolidation scope	0	0	1.704	0	1.704
Additions	2.961	0	10.233	28	13.222
Disposals	0	0	-1.163	-8	-1.171
Reclassifications	0	0	4.720	-22	4.698
Balance as of 12/31/2007	9.027	7.241	48.238	13	64.519

In TEUR

Accumulated Depreciation	Goodwill	Trademarks and patents	Other intangible assets	Prepayments	Total
Balance as of 01/01/2006	1.592	0	9.825	0	11.417
Adjustments due to currency translation	2	0	-4	0	-2
Change in the consolidation scope	0	0	264	0	264
Additions	46	618	3.411	0	4.075
Disposals	-61	0	-171	0	-232
Reclassifications	0	0	0	0	0
Balance as of 12/31/2006	1.579	618	13.325	0	15.522

In TEUR

Accumulated Depreciation	Goodwill	Trademarks and patents	Other intangible assets	Prepayments	Total
Balance as of 12/31/2006	1.579	618	13.325	0	15.522
Adjustments due to currency translation	-5	0	-7	0	-12
Change in the consolidation scope	0	0	256	0	256
Additions	0	618	4.146	0	4.764
Disposals	0	0	-1.109	0	-1.109
Reclassifications	0	0	0	0	0
Balance as of 12/31/2007	1.574	1.236	16.611	0	19.421
Carrying amount as of 12/31/2006	4.492	6.623	19.426	15	30.556
Carrying amount as of 12/31/2007	7.453	6.005	31.627	13	45.098

An amount of TEUR 10,233 (previous year: 13,782) was invested in intangible assets like licences and software.

No internally-generated intangible asset could be capitalized. In the period under report, development expenditures amounting to TEUR 23,556 (previous year: TEUR 20,838) were recognised in the income statement as personnel cost, other expenses and depreciation of tangible and intangible assets.

Goodwill

As of December 31st, 2007, the Group's goodwill is composed as follows:

In TEUR	12/31/2007	12/31/2006
Admiral Betriebs GmbH	1.840	1.840
Algast Gastronomie GmbH	216	216
ALS Group OOO	1.392	1.392
ALS OOO	56	56
UAB Azarto Technika	988	988
Barclajs Speles SIA	362	0
Crown Technologies GmbH	1.617	0
Sierra Machines SAC	982	0
Total	7.453	4.492

During the business year the Group determined the recoverable amount of the goodwill and could not find any indication for an impairment loss. The determination of the recoverable amount of a cash-generating unit is based on its value in use. In assessing the value in use, a discount rate of 9.65% p.a. was considered.

(2) Property, Plant and Equipment

In TEUR	Land and buildings	Plant and machinery	Factory and Office Equipment	Prepayments and property under construction	Total
Acquisition costs					
Balance as of 01/01/2006	80.116	67.854	69.551	7.357	224.878
Adjustments due to currency translation	471	-259	50	-2	260
Change in the consolidation scope	299	5.572	422	20	6.313
Additions	33.921	79.554	23.763	16.840	154.078
Disposals	-4.295	-12.551	-13.378	-12.130	-42.354
Reclassifications	1.350	136	1.886	-3.403	-31
Balance as of 12/31/2006	111.862	140.306	82.294	8.682	343.144

In TEUR	Land and buildings	Plant and machinery	Factory and Office Equipment	Prepayments and property under construction	Total
Acquisition costs					
Balance as of 12/31/2006	111.862	140.306	82.294	8.682	343.144
Adjustments due to currency translation	-808	-2.469	-140	-5	-3.422
Change in the consolidation scope	-122	1.290	228	22	1.418
Additions	43.846	186.753	36.598	24.657	291.854
Disposals	-2.710	-58.567	-13.544	-327	-75.148
Reclassifications	20.526	-7.291	1.068	-19.001	-4.698
Balance as of 12/31/2007	172.594	260.022	106.504	14.028	553.148

In TEUR	Land and buildings	Plant and machinery	Factory and Office Equipment	Prepayments and property under construction	Total
Accumulated Depreciation					
Balance as of 01/01/2006	18.044	18.755	42.574	0	79.373
Adjustments due to currency translation	17	19	40	0	76
Change in the consolidation scope	39	1.084	79	0	1.202
Additions	5.666	21.002	12.355	0	39.023
Disposals	-2.074	-6.585	-10.363	0	-19.022
Reclassifications	62	0	-62	0	0
Balance as of 12/31/2006	21.754	34.275	44.623	0	100.652

In TEUR	Land and buildings	Plant and machinery	Factory and Office Equipment	Prepayments and property under construction	Total
Accumulated Depreciation					
Balance as of 12/31/2006	21.754	34.275	44.623	0	100.652
Adjustments due to currency translation	-23	-863	-88	0	-974
Change in the consolidation scope	204	286	52	0	542
Additions	8.623	49.971	15.268	0	73.862
Disposals	-879	-20.994	-12.234	0	-34.107
Reclassifications	93	-93	0	0	0
Balance as of 12/31/2007	-30	0	-46	0	-76
Stand 12/31/2007	29.742	62.582	47.575	0	139.899
Carrying amount as of 12/31/2006	90.108	106.031	37.671	8.682	242.492
Carrying amount as of 12/31/2007	142.852	197.440	58.929	14.028	413.249

For the consolidation and the further improvement of the market position the emphasis lies on investments concerning the expansion of the distribution network in existing and new markets. As a consequence, additions to property, plant and equipment primarily consist in investments in land and buildings amounting to TEUR 43,846, in plant and machinery amounting to TEUR 186,753 and in factory and office equipment amounting to TEUR 36,598.

Finance Lease

The carrying amount of the Group's property, plant and equipment includes an amount of TEUR 3,282 (previous year: TEUR 1,842) in respect of assets held under finance lease. The tangible assets held under finance lease comprise plant and machinery, office equipment and vehicles. The terms of the finance leases entered into lies between 3 and 5 years.

The sale-and-lease-back transactions of the Group present themselves as follows: The carrying amounts of gambling machines recognized as property, plant and equipment account for TEUR 11,943 (previous year: TEUR 0). Because of their classification as finance leases the profits resulting from their disposal are spread over the contract duration of 4 years and are recognized as deferred income in the balance sheet.

The liabilities corresponding to the finance lease agreements and the sale-and-lease-back transactions are stated at the present value of the minimum lease payments and amount to TEUR 15,950 (previous year: TEUR 2,882). The amount of the present value of the minimum lease payments payable within one year is TEUR 3,065 (previous year: TEUR 1,268) and within the next five years is TEUR 12,885 (previous year: TEUR 1,614). The accumulated minimum lease payments for the next year amount to TEUR 3,323 (previous year: 1,342) and for the next five years to TEUR 13,226 (previous year: TEUR 1,683).

Operating Lease

From the use of tangible assets not recognised in the balance sheet, obligations resulting from lease, tenancy and rent agreements exist to the following amount:

In TEUR	12/31/2007	12/31/2006
For the next year	13.733	10.382
For the second to the fifth year inclusive	47.765	36.199
for more than five years	23.000	10.331

(3) Investment property

In TEUR	12/31/2007	12/31/2006
Balance as of 01/01	474	474
Change in the scope of consolidation	0	0
Additions	0	0
Disposals	0	0
Reclassifications	0	0
Appreciations	0	0
Balance as of 12/31	474	474

Investment property concerns land held as financial investment and with no definitive utilisation at the moment. Its fair value amounts to TEUR 474.

(4) Investments in associates

In TEUR	12/31/2007	12/31/2006
Balance as of 01/01	9.483	7.018
Additions	721	2.036
Share of post acquisition profits	2.082	1.177
Dividends	-1.246	-567
Disposals	0	-133
Change in the consolidation method	0	-48
Balance as of 12/31	11.040	9.483

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

The following chart shows the basic data from the balance sheet and income statement of the companies recognized at equity.

In TEUR	12/31/2007	12/31/2006
Assets	41.168	37.957
Liabilities	16.267	16.425
Sales	128.208	127.657

(5) Financial Assets

In TEUR	12/31/2007	12/31/2006
Investments in not consolidated, associated companies	11.433	4.996
Securities	9.425	11.643
Other investments	1.810	875
Total	22.668	17.514

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

For investments in associated companies and other investments the fair value cannot be evaluated, therefore they are valued at costs, less any possible impairment.

(6) Taxes

Current Tax receivables and liabilities:

In TEUR	12/31/2007	12/31/2006
Tax refund	1.956	2.695
Current tax liabilities	42.363	19.083

Deferred tax:

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

In TEUR	12/31/2007	12/31/2006
Intangible Assets	-3.013	-2.732
Property, Plant and Equipment	8.333	6.004
Finance Lease	546	321
Financial Assets	1.818	2.362
Securities	-241	-871
Other non-current assets	-442	-2
Inventories	19	-364
Current Financial Assets	-25	-29
Trade and Other Receivables	-292	-890
Long-term financial liabilities	1.093	774
Provision for severance payments	1.331	2.293
Provision for pensions	879	28
Provision for jubilee payments	62	60
Short-term Provisions	1.077	450
Trade and other receivables	581	-293
Tax loss carry forward	3.822	3.776
Deferred Tax Total (netted)	15.548	10.887

In the balance sheet deferred taxes are shown as follows:

In TEUR	12/31/2007	12/31/2006
Differed tax assets	23.176	17.211
Differed tax liabilities	-7.628	-6.324
Total	15.548	10.887

In accordance with IAS 12 deferred tax assets on the accumulated loss brought forward adding up to TEUR 3,822 (prior year: TEUR 3,776) were recognized, because they can be offset with future taxable profits.

Deferred tax assets not recognised:

In TEUR	12/31/2007	12/31/2006
Tax loss	6.781	6.442
Temporary differences	1.769	512

Income from investments in domestic subsidiaries is tax exempt. Dividends received from foreign investments exceeding a share of 10% are also tax exempt at the level of the Austrian parent company.

In Estonia and in Latvia, in case of a disbursement an elevated tax rate is applied at group level. Since no disbursements are expected from the Estonian subsidiary AS Novoloto in the near future, this has no effect on the Group. The taxes resulting from the dividends received from the Latvian subsidiary, Alfor SIA, amounted to TEUR 461 for the year 2007 (previous year: TEUR 28) and are directly recognized in year of the accrual. For the year 2008, the Group expects an estimated tax burden amounting to TEUR 1,122.

(7) Other non-current assets

In TEUR	12/31/2007	12/31/2006
Loans	5.554	4.055
Miscellaneous	1.900	1.129
Summe	7.454	5.184

(8) Inventories

In TEUR	12/31/2007	12/31/2006
Raw materials and supplies	45.578	28.167
Work-in-progress	13.051	8.630
Finished goods and trade goods	25.164	19.235
Not yet invoiced services	0	0
Advance payments	7.631	8.056
Total	91.424	64.088

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

Value adjustments for raw materials and supplies amount to TEUR 15,232 (previous year: TEUR 11,238).

(9) Trade and other receivables

In TEUR	12/31/2007	12/31/2006
Trade receivables	86.541	66.325
Receivables from not consolidated associated companies	10.734	11.280
Receivables from associated companies	571	1.253
Prepaid expenses	9.077	7.897
Other current receivables	17.590	21.111
Total	124.513	107.866

Valuation adjustments for trade receivables amount to TEUR 23,198 (previous year: TEUR 18,117). The impairment expenses of the year under report are recognised as other operating expenses in the income statement.

Within receivables from not consolidated associated companies TEUR 9,660 concern trade receivables.

Other receivables concern primarily the offset with the tax authorities and outstanding credit card statements.

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

(10) Current financial assets

In TEUR	12/31/2007	12/31/2006
Securities	3.032	2.422
Fair Value valuation of interest rate swaps	144	28
Loans	5.485	933
Other current financial assets	1.264	861
Total	9.925	4.244

(11) Cash and cash equivalents

In TEUR	12/31/2007	12/31/2006
Cash	47.795	31.385
Bank deposit	119.096	89.585
Total	166.891	120.970

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

(12) Share capital

The share capital of TEUR 26,000 is divided in the following bearer shares:

Number of shares	Nominal value per share (TEUR)	Total amount Nominal value (TEUR)
18	1.000	18.000
68	100	6.800
120	10	1.200
Total		26.000

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

(13) Capital reserves

The capital reserves of TEUR 976 and a part of the retained profits amounting to TEUR 1,624 add-up to TEUR 2,600 and represent the tied-up reserve amounting to 10% of the share capital according to section 130 Austrian Stock Companies Act (AktG).

(14) Retained profits

The retained profits consist of the group's consolidated profit for the year and of the accumulated profits from previous periods.

(15) Revaluation reserve according to IAS 39

The changes in the fair value of financial assets available-for-sale are recognised in the revaluation reserve according to IAS 39 not affecting income. For the business year 2007 these changes amounted to TEUR -1,898 (previous year: TEUR 1,224).

(16) Translation component

On consolidation, the assets and liabilities of foreign subsidiaries are translated at exchange rates prevailing on the balance sheet date. Differences arising, if any, are classified as equity and are transferred to the translation component. For the business year 2007 changes in the translation component amounting to TEUR -3,809 (previous year: TEUR -1,279) occurred.

(17) Minority interests

Minority interests in equity of consolidated subsidiaries primarily concern Alfor SIA, UAB Azarto Technika, Barklajs Speles SIA and Crown Gaming S.A.C.

(18) Long term financial liabilities

In TEUR	12/31/2007	12/31/2006
Bond	149.093	148.879
Bank loans	19.614	17.618
Obligations under finance leases	12.885	1.614
Other long term financial liabilities	2.030	0
Total	183.622	168.111

With value date October 10th, 2005 the NOVOMATIC AG issued a bullet bond with the following terms and conditions:

Nominal value	TEUR 150.000
Term	2005 – 2012
Denomination	EUR 500,--
Nominal interest rate	3,75 % p.a.
Coupon	10/11 every year
Redemption	10/11/2012
Closing price 12/31/2007	EUR 93,40
ISIN	AT0000492962

The bond is listed for the over-the-counter market at the Vienna Stock Exchange.

(19) Long term provisions

In TEUR	12/31/2007	12/31/2006
Provision for severance payments	5.395	5.030
Provision for pensions	9.350	9.010
Provision for jubilee payments	1.271	1.090
Other long term provisions	3.128	3.209
Total	19.144	18.339

Provision for severance payments

Due to legal or collectively agreed obligations, employees whose service began before January 1st, 2003, are entitled to receive severance payments upon termination of employment or on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. The amount of these future obligations was calculated according to the regulations of IAS 19 in application of the projected-unit-credit-method under the assumptions of a discount rate of 5 % (previous year: 4.25 %), a pay increase of 3% (previous year: 2.5%) and the first possible retirement age according to ASVG (Uniform Social Insurance Act) regulations. Discounts due to fluctuations or other factors are not taken into account.

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

1) Expenses for severance payments recognised as personnel cost:

In TEUR	12/31/2007	12/31/2006
Current service cost	541	540
Interest cost	209	182
Expected return on plan asset	0	0
Actuarial gains and losses	-67	43
Past service cost	0	0
Expense for the year	683	765

2) Provision for severance payments shown in the balance sheet:

In TEUR	12/31/2007	12/31/2006
Balance as of 01/01	5.030	4.568
Current service cost (+)	541	540
Interest cost (+)	209	182
Actuarial gains and losses	-67	43
Payments (-)	-320	-303
Change in the consolidation scope	2	0
Balance as of 12/31	5.395	5.030

Unrecognised actuarial gains and losses	794	280
Defined Benefit Obligation at the end of the period	6.189	5.310

Provision for pensions

Due to individual agreements some group companies are obligated to accord a pension allowance to the members of the board of management and to employees from the date of their retirement. The entitlements depend on years of service and final compensation levels. The provision for pensions is calculated in line with IAS 19 (projected-unit-credit-method) using an interest rate of 5%/5.44% (previous year: 4.25%/4.5%) and taking adjustments of values of 2% to 3% (previous year: 1.8% to 3%) into account.

1) Expenses for pensions recognised as personnel cost:

In TEUR	12/31/2007	12/31/2006
Current service cost	296	337
Interest cost	378	357
Expected return on plan asset	0	0
Actuarial gains and losses	0	0
Past service cost	0	0
Expense for the year	674	694

2) Provision for pensions shown in the balance sheet

In TEUR	12/31/2007	12/31/2006
Balance as of 01/01	9.010	8.611
Current service cost (+)	296	337
Interest Cost (+)	378	357
Payments (-)	-329	-296
Currency translation	-5	1
Balance as of 12/31	9.350	9.010
Unrecognised actuarial gains and losses	-1.340	-291
Defined Benefit Obligation at the end of the period	8.010	8.719

Provision for jubilee payments

After a long-time service with the company, employees are entitled to jubilee payments arising from collective agreements. The amount of these obligations was calculated under the assumptions of a discount rate of 5% (previous year: 4.25%) and a pay increase of 3% (previous year: 2.5%). A fluctuation discount based on an internal statistic on the withdrawals of the last 3 years and under consideration of the probable individual continuance in the company was taken into account.

1) Expenses for jubilee payments recognised as personnel cost:

In TEUR	12/31/2007	12/31/2006
Current service cost	435	453
Interest cost	42	45
Expected return on plan asset	0	0
Actuarial gains and losses	-232	-291
Past service cost	0	0
Expense for the year	245	207

2) Provision for pensions shown in the balance sheet

In TEUR	12/31/2007	12/31/2006
Balance as of 01/01	1.090	1.113
Current service cost (+)	435	453
Interest Cost (+)	42	45
Actuarial gains and losses	-232	-291
Payments (-)	-64	-230
Change in the consolidation scope	0	0
Balance as of 12/31	1.271	1.090

Other long term provisions

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

In TEUR	12/31/2007	12/31/2006
Balance as of 01/01	3.209	2.921
Currency translation	0	0
Change in the consolidation scope	0	0
Consumption	-662	-678
Disposal	-263	-7
Allocation	844	973
Balance as of 12/31	3.128	3.209

(20) Other non current liabilities

In TEUR	12/31/2007	12/31/2006
Deferred income	4.697	0
Miscellaneous other non current liabilities	3.182	876
Total	7.879	876

(21) Short term financial liabilities

In TEUR	12/31/2007	12/31/2006
Bank overdrafts and short term loans	65.975	14.921
Sort term obligations under finance leases	3.065	1.268
Other short term financial liabilities	1.687	2.006
Fair Value valuation of interest rate swaps	2.706	788
Total	73.433	18.983

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

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

(22) Short term provisions

In TEUR	Unconsumed vacation	Other provisions for personnel	Warranties, rebates and customer bonuses	Other short term provisions	Total
Balance as of 12/31/2006	6.819	3.187	4.667	4.549	19.222
Currency Translation	-79	-3	-4	43	-43
Changes in the consolidation scope	61	185	17	-1	262
Consumption	-2.273	-2.688	-972	-2.734	-8.667
Disposal	0	-426	-26	-774	-1.226
Allocation	4.511	4.339	3.275	5.247	17.372
Balance as of 12/31/2007	9.039	4.594	6.957	6.330	26.920

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

Other short term provisions mainly include provisions for legal, audit and consulting costs as well as not yet invoiced operating expenses.

(23) Trade payables and other liabilities

In TEUR	12/31/2007	12/31/2006
Trade payables	25.526	22.092
Payables to not consolidated associated companies	310	121
VPayables to associated companies	13	6
Down payments received	934	2.214
Deferred income	44.052	14.565
Other liabilities from social security obligations	3.074	2.390
Other taxes (except income tax)	20.297	12.352
Other short term liabilities	28.472	31.971
Total	122.678	85.711

The increase of deferred income is mainly related to the accrual of special rent payments for gambling machines in Germany and to the fact that profits resulting from the disposal of sale-and-lease-back transactions were carried as liability.

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

Notes to the consolidated income statement

The income statement was prepared applying the total expenditure format.

(24) Sales

In TEUR	12/31/2007	12/31/2006
Sale revenues	235.950	236.114
Operation of slot machines	338.722	236.439
Income from rent and management services	176.777	52.568
Betting income	175.707	192.375
Income from gastronomy	15.950	13.244
Other sales	25.429	28.751
Sales reduction	-8.288	-4.879
Total	960.247	754.612

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

In TEUR	12/31/2007	12/31/2006
Changes in inventories of finished goods and work in progress	12.351	-2.170
Own work capitalized	156.220	71.378
Total	168.571	69.208

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

(26) Other operating income

In TEUR	12/31/2007	12/31/2006
Income from the disposal of intangible assets and property, plant and equipment	9.807	2.874
Income from Reversal of provisions	1.120	4.812
Other operating income	15.933	14.916
Total	26.860	22.602

(27) Material cost and purchased services for production

In TEUR	12/31/2007	12/31/2006
Material cost	-252.093	-179.034
Pay-out resulting from betting	-146.818	-160.301
Purchased services for production	-768	-1.223
Total	-399.679	-340.558

(28) Personnel cost

In TEUR	12/31/2007	12/31/2006
Wages and Salaries	-131.800	-100.995
Expenses for severance payments	-1.332	-1.019
Expenses for pensions	-967	-924
Expenses for mandatory social contributions and pay-roll related taxes	-29.904	-23.333
Other social expense	-981	-906
Total	-164.984	-127.177

The raise of personnel cost is due to collectively agreed and individual pay increases and in particular to an elevation of the number of employees in the Group.

(29) Depreciation and amortisation

In TEUR	12/31/2007	12/31/2006
Scheduled depreciation of tangible and amortisation of intangible assets	-78.347	-42.846
Extraordinary depreciation/depreciation	-280	-252
Total	-78.627	-43.098

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

(30) Other operating expenses

In TEUR	12/31/2007	12/31/2006
Other taxes, fees and other charges	-70.924	-50.647
Maintenance	-13.275	-8.620
Energy	-7.607	-5.056
Telephone, Communication	-3.904	-3.076
Rent and lease payments	-33.308	-27.077
Insurance	-2.479	-2.138
Vehicle fleet operation costs	-4.412	-3.380
Legal, audit and consulting costs	-6.150	-4.770
Other services received	-17.338	-7.141
Advertising cost	-20.684	-14.207
Travelling cost	-4.262	-3.125
Development, license and patent cost	-7.092	-4.066
Commissions	-8.939	-13.367
Bad debt and valuation adjustment	-6.246	-4.653
Loss from the disposal of fixed assets (except financial assets)	-7.620	-2.754
Other expenses	-47.501	-25.283
Total	-261.741	-179.360

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

In TEUR	12/31/2007	12/31/2006
Casino Centrum Lodz	47	0
Estrada Polska sp.z.o.o.	778	318
Giochi San Marino S.p.A.	519	523
H. Polanz GmbH	496	189
SIM Spielbanken Investitions- Management GmbH	2	1
SIM Spielbanken Investitions- und Beteiligungs- Management GmbH & CO KG	584	310
OOO United Gaming Industries	-344	-164
Total	2.082	1.177

(32) Financial income

In TEUR	12/31/2007	12/31/2006
Interest income	4.004	3.296
Income from the disposal of financial assets	579	228
Income from the disposal of securities classified as current assets	50	0
Income from other investments	420	385
Fair Value valuation of interest rate swaps	110	0
Other financial income	3.548	1.383
Total	8.711	5.292

(33) Financial expenses

In TEUR	12/31/2007	12/31/2006
Interest expenses	-3.895	-2.405
Interest expenses for bond	-5.740	-5.732
Fair value valuation interest rate swap	-1.600	-427
Interest on obligation under finance lease	-229	-91
Other financial expenses	-1.806	-1.231
Total	-13.270	-9.886

(34) Tax expenses

In TEUR	12/31/2007	12/31/2006
Current income tax expenses	72.013	40.114
Real income tax unrelated to accounting period	405	241
Deferred tax income/expense	-6.941	-1.134
Income tax	65.477	39.221

A reconciliation of income tax applying the Austrian corporate income tax rate of 25% (previous year: 25%) to the effective tax rate for the business year 2007 is stated below:

In TEUR	12/31/2007	31.12.2006
Profit before taxes	248.170	152.812
Computed income tax expense of 25% (previous year: 25%)	62.043	38.203
Adjustment of the computed income tax expense:		
Differing foreign tax rates	2.260	-356
Effects of non-taxable income	-1.918	-1.527
Effects of non-deductible expenses	1.612	1.664
Effects of tax advantages	-1.046	-930
Real income tax unrelated to accounting period	405	241
Effects of change in tax rate of deferred taxes	-73	26
Effects on the real tax expenses of initially not recognised and unused tax-losses carry forward and possible offsets	-365	0
Effects on deferred tax expense of initially not recognised and unused tax-losses carry forward and possible offsets	-169	-3
Effects of the reversal of a previous adjustment of a deferred tax asset	82	0
Effects of unused tax-losses carry forward and possible offsets not recognised as deferred taxes	1.889	1.553
Withholding tax	677	292
Other	80	58
Effective group income tax expense	65.477	39.221
Effective group income tax rate	26,38%	25,67%

Taxes on income directly recognized in equity

In TEUR	12/31/2007	12/31/2006
Expenses from the revaluation of securities classified as available-for-sale	-631	404
Interest rate hedge transferred to income statement	0	7
Deferred taxes	-631	411

Notes to the consolidated cash flow statement

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

Segment reporting

In the segment reporting the Group is divided into business segments. The inter-segment exchange of goods and services shows the supply and service relationships between the operating segments. The charging is carried out "at arm's length". All significant intercompany transactions and balances between Group enterprises are eliminated on consolidation.

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

The segment "sale and rental" includes the production, sale and rental of gambling and entertainment machines.

The segment "gambling operations" consists of the operation of casinos and electronically gambling machine casinos.

The segment "betting" comprises the betting business, in particular sports, dog racing and horse racing betting.

The segment "other" essentially comprises foreign and domestic real estate management.

Segment revenue

2007

In TEUR	Sale and rental	Gambling operations	Betting	Other	Eliminations	Total
External sales	437.600	328.787	183.509	10.351	0	960.247
Inter-segment sales	144.980	34.595	5.203	22.213	-206.991	0
Total sales	582.580	363.382	188.712	32.564	-206.991	960.247

2006

In TEUR	Sale and rental	Gambling operations	Betting	Other	Eliminations	Total
External sales	306.630	233.885	202.510	11.587	0	754.612
Inter-segment sales	69.110	20.454	4.559	19.927	-114.050	0
Total sales	375.740	254.339	207.069	31.514	-114.050	754.612

Segment result

2007

In TEUR	Sale and rental	Gambling operations	Betting	Other	Eliminations	Total
Segment result (EBIT)	184.402	76.148	2.110	5.224	17.237	250.647

2006

In TEUR	Sale and rental	Gambling operations	Betting	Other	Eliminations	Total
Segment result (EBIT)	109.581	60.107	1.880	11.104	-26.443	156.229

Segment assets and liabilities

2007

In TEUR	Sale and rental	Gambling operations	Betting	Other	Eliminations	Total
Segment assets	462.543	244.657	18.298	130.699	-123.830	732.367
Segment liabilities	147.829	50.269	7.891	27.152	-50.795	182.346

2006

In TEUR	Sale and rental	Gambling operations	Betting	Other	Eliminations	Total
Segment assets	312.031	140.685	16.518	106.950	-95.078	481.106
Segment liabilities	75.996	44.957	10.081	41.237	-45.875	126.396

Other Information

2007

In TEUR	Sale and rental	Gambling operations	Betting	Other	Eliminations	Total
Depreciation/Amortisation	64.135	24.634	2.651	6.679	-19.752	78.347
Investments	196.105	100.785	2.762	5.424	0	305.076
Income from associates	0	2.426	0	-344	0	2.082
Carrying amount of associated companies	0	9.981	0	1.059	0	11.040

2006

In TEUR	Sale and rental	Gambling operations	Betting	Other	Eliminations	Total
Depreciation/Amortisation	29.314	16.027	3.390	5.278	-11.163	42.846
Investments	102.888	48.429	3.564	15.700	0	170.581
Income from associates	0	1.341	0	-164	0	1.177
Carrying amount of associated companies	0	8.580	0	903	0	9.483

Geographical segments

The Group's operations are located in Austria, the European Union (excluding Austria), the rest of Europe and other countries.

The sales revenue of the Group presents itself as follows:

2007

In TEUR	Austria	EU	Rest of Europe	Other countries	Total
Segment revenue	375.295	420.578	149.789	14.585	960.247

2006

In TEUR	Austria	EU	Rest of Europe	Other countries	Total
Segment revenue	347.447	261.773	125.647	19.745	754.612

Other information

2007

In TEUR	Austria	EU	Rest of Europe	Other countries	Eliminations	Total
Segment assets	438.159	401.350	91.299	8619	-207.060	732.367
Segment investments	24.952	219.770	56.024	4.330	0	305.076

2006

In TEUR	Austria	EU	Rest of Europe	Other countries	Eliminations	Total
Segment assets	375.769	210.930	80.521	0	-186.114	481.106
Segment investments	11.906	114.800	43.875	0	0	170.581

Financial instruments

12/31/2007

in TEUR

Category acc. to IAS 39

		Loans and receivables	Assets available for sale	Assets held for trading	Other financial liabilities	Derivative Instruments
Non-current assets						
Intangible Assets	45.098					
Property, plant and equipment	413.249					
Investment property	474					
Investments in associated companies	11.040					
Financial assets	22.668		9.425			
Deferred tax assets	23.176					
Other non current assets	7.454	7.454				
Total non current assets	523.159	7.454	9.425	0	0	0
Current assets						
Inventories	91.424					
Trade and other receivables	124.513	115.436				
Assets for current tax	1.956					
Short term financial assets	9.925	6.749		3.032		144
Cash and cash equivalents	166.891	166.891				
Total current assets	394.709	289.076	0	3.032	0	144
Total ASSETS	917.868	296.530	9.425	3.032	0	144
Equity						
Share capital	26.000					
Capital reserve	976					
Retained earnings	377.774					
Revaluation reserve acc. To IAS 39	675					
Translation component	-3.809					
Minority interest	32.585					
Total equity	434.201	0	0	0	0	0
Non current liabilities						
Long-term financial liabilities	183.622				183.622	
Long-term provisions	19.144					
Deferred tax liabilities	7.628					
Other non current liabilities	7.879				3.182	
Total non current liabilities	218.273	0	0	0	186.804	0
Current liabilities						
Short-term financial liabilities	73.433				70.727	2.706
Short-term provisions	26.920					
Current tax liabilities	42.363					
Trade and other liabilities	122.678				78.626	
Total current liabilities	265.394	0	0	0	149.353	2.706
Total LIABILITIES	917.868	0	0	0	336.157	2.706

Classification acc. to IFRS 7

Fair Value	Amortized costs								
	Securities	Derivate	Liquid funds	Accounts receivable trade	Loans	Bank and lease obligations	Accounts payable trade	Loan	Other Items
	9.425								
					5.554				1.900
	9.425	0	0	0	5.554	0	0	0	1.900
				97.846					17.590
	3.032	144			5.485				1.264
			166.891						
	3.032	144	166.891	97.846	5.485	0	0	0	18.854
	12.457	144	166.891	97.846	11.039	0	0	0	20.754
	0	0	0	0	0	0	0	0	0
						32.499		149.093	2.030
									3.182
	0	0	0	0	0	32.499	0	149.093	5.212
		2.706				70.727			
							25.849		52.777
	0	2.706	0	0	0	70.727	25.849	0	52.777
	0	2.706	0	0	0	103.226	25.849	149.093	57.989

12/31/2006

in TEUR

Category acc. to IAS 39

		Loans and receivables	Assets available for sale	Assets held for trading	Other financial liabilities	Derivative Instruments
Non-current assets						
Intangible Assets	30.556					
Property, plant and equipment	242.492					
Investment property	474					
Investments in associated companies	9.483					
Financial assets	17.514		11.643			
Deferred tax assets	17.211					
Other non current assets	5.184	5.184				
Total non current assets	322.914	5.184	11.643	0	0	0
Current assets						
Inventories	64.088					
Trade and other receivables	107.866	99.969				
Assets for current tax	2.695					
Short term financial assets	4.244	1.794		2.422		28
Cash and cash equivalents	120.970	120.970				
Total current assets	299.863	222.733	0	2.422	0	28
Total ASSETS	622.777	227.917	11.643	2.422	0	28
	622.777					
Equity						
Share capital	26.000					
Capital reserve	976					
Retained earnings	239.998					
Revaluation reserve acc. To IAS 39	2.573					
Translation component	-1.279					
Minority interest	17.860					
Total equity	286.128	0	0	0	0	0
Non current liabilities						
Long-term financial liabilities	168.111				168.111	
Long-term provisions	18.339					
Deferred tax liabilities	6.324					
Other non current liabilities	876				876	
Total non current liabilities	193.650	0	0	0	168.987	0
Current liabilities						
Short-term financial liabilities	18.983				18.195	788
Short-term provisions	19.222					828
Current tax liabilities	19.083					
Trade and other liabilities	85.711				71.146	
Total current liabilities	142.999	0	0	0	89.341	1.616
Total LIABILITIES	622.777	0	0	0	258.328	1.616

Classification acc. to IFRS 7									
Fair Value	Amortized costs			Accounts receivable trade	Loans	Bank and lease obligations	Accounts payable trade	Loan	Other Items
Securities	Derivate	Liquid funds							
11.643									
					4.055				1.129
11.643	0	0		0	4.055	0	0	0	1.129
				78.858					21.111
2.422	28				933				861
		120.970							
2.422	28	120.970		78.858	933	0	0	0	21.972
14.065	28	120.970		78.858	4.988	0	0	0	23.101
0	0	0		0	0	0	0	0	0
						19.232		148.879	
									876
0	0	0		0	0	19.232	0	148.879	876
	788					18.195			
	828								
							24.433		46.713
0	1.616	0		0	0	18.195	24.433	0	46.713
0	1.616	0		0	0	37.427	24.433	148.879	47.589

Financial risk management

NOVOMATIC AG controls and manages the financial risks connected to the business segments of the Group in the objective to limit these risks. The relevant risks concerning the Group are monitored on a regular basis and are collateralized if necessary, to minimise and estimate the risk.

The identification, analyse and valuation of financial risks as well as the decisions concerning the application of financial instruments to manage those risks are carried out essentially at the Group's headquarters. The possible adoption of derivative instruments is subject to supervision through the top management of the Group.

Liquidity risk

The liquidity or financing risk is the risk of the Company to remain solvent (through own means or through investors) at any time as to fulfill due obligations in time and to give credit by the means of bank guarantees. Furthermore there is an extensive need for liquid funds in the gambling industry, especially for cash in the Group's gambling establishments. A major part of the stated cash is tied up as cash reserves and base filling of the gambling machines at the various gambling establishments.

NOVOMATIC pursues an international diversification of its investor base. The relationships to international banks and financial service providers are intensified. Additionally to the traditional loan financing and because of the increasing credit volume the financing through the capital market became of greater importance.

Due to the conservative debt management of the Group the liquidity risk is limited. The liquidity needs of the Group can be met on one hand through the existent liquid funds and on the other hand through the available financing margin.

In July 2007, NOVOMATIC AG has concluded a liquidity back stop facility in the amount of EUR 100,000,000 by the means of a sevenyear revolving syndicated credit. Furthermore other bilateral bank relationships are available.

The Group's investment strategy is exclusively based on the cooperation with banks and financial service providers at least rated BBB, to minimise the risk of capital loss.

Credit risk

The credit risk constitutes the risk of delay or default in payment of a contractual partner. In the Group's finance and sales department predominantly credit relationships with banks and business partners with high creditworthiness are held. Additionally the immanent default risk of underlying transaction is collateralized as far as possible through bank securities (e.g. guarantees, commercial letter of credit).

In the sales business the Group is exposed to credit risk because potentially customers will not fulfill their payment obligations. By the means of an analyse of the creditworthiness of the customer portfolio on a regular basis this risk can be constrained. Because of the multitude of business partners there is no concentration of default risk.

Market Risk

Interest rate risk

In the context of external financing the NOVOMATIC AG-Group is exposed to an interest rate risk. The development of interest rates can have a positive or negative effect on the value of financial instruments on one hand and on the resulting interest income/loss on the other.

Due to risk management related considerations, fixed as well as variable interest is paid on the existing debt and short as well as long term financings are concluded to minimize the cluster risk.

Derivative financial instruments are exclusively concluded to collateralize underlying transactions and not because of speculative considerations.

The concluded interest rate swaps are recognized at fair value in the financial statements.

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

in TEUR	2007		2006	
	+50 basis points	-50 basis points	+50 basis points	-50 basis points
Change (in basis points)				
Change of the profit before taxes	-145	+145	+114	-114

Exchange risk

The risk resulting from fluctuations in value of financial instruments, other items of the balance sheet (e.g. receivables and liabilities) and/or cash flows due to currency fluctuations is called exchange risk. This risk predominantly resides in business transactions conducted in currencies other than the local currency of an entity (hereinafter referred to as foreign currency).

The major part of the Group transactions is carried out in Euro or in the respective local currency of the foreign subsidiary. A relevant exchange risk can take effect for Austrian Gaming Industries GmbH because of high purchase volumes in USD, for the other sale and buying transactions the foreign and local currencies are equilibrated or are nonessential in terms of volume.

The development of the exchange risk relevant for NOVOMATIC is constantly monitored and collateralized if necessary, to minimize this risk. In case of Austrian Gaming Industries GmbH the current need of USD is partially collateralized by the means of futures.

Derivative financial instruments are exclusively concluded to collateralize underlying transactions and not because of speculative considerations.

As of the balance sheet date, at the NOVOMATIC Group mostly financial liabilities bearing interest in Euro exist, so that no essential exchange risk prevails in this area.

The following chart shows, based on reasonable judgment, the effect of a possible exchange rate fluctuation of +/- 0.10 US-Dollar to Euro on the profit before taxes or on equity.

in TEUR	2007		2006	
	+ 10 USD Cent	- 10 USD Cent	+ 10 USD Cent	-10 USD Cent
Exchange rate fluctuation USD to EUR				
Change in the operating profit	5.946	-6.876	4.034	-4.728
Change in equity	4.460	-5.157	3.026	-3.546

Other market risk

Other market risk variables concern in particular stock prices and indices. The securities held by NOVOMATIC AG consist essentially in stocks traded at Vienna Stock exchange. In the year 2007 no stocks were sold.

Financial Instruments

To collateralize financial risks NOVOMATIC AG has concluded the following derivatives:

in TEUR	12/31/2007		12/31/2006	
	Nominal value	Market value	Nominal value	Market value
Interest rate swap 2004-2009	2.000	34	2.000	28
Interest rate swap 2006-2012	30.000	-1.303	30.000	-788
Interest rate swap 2007-2014	30.000	110	0	0
Interest rate swap 2007-2012	30.000	-1.403	30.000	0
Swaption	0	0	30.000	-828

The market value of the interest rate swaps corresponds to the amount that the respective company would receive or would have to pay in case of cancellation of the derivative activity. Thereby the prevailing market conditions and especially the prevailing interest levels are considered.

Notes on the changeover to IFRS

In the business year 2007 the NOVOMATIC Group prepared its financial statements for the first time in accordance with IFRS. The last financial statements prepared according to the regulations of the Austrian Company Code were prepared as of December 31st, 2006. Comparative values are stated as of December 31st, 2006, consequently January 1st, 2006 is the date of the changeover to IFRS.

The following election possibilities were applied according to IFRS 1:

Intangible assets and property, plant and equipment are recognized at amortised costs.

Categorizations of formerly recognised financial instruments are carried out as of the date of the changeover to IFRS.

Differences, accumulated until the balance sheet date, resulting from the currency translation of the financial statements of subsidiaries, whose functional currency is not the Euro, were not recognized separately but allocated to the retained earnings.

The board of management decided, according to IFRS 1 Note B, not to apply IFRS 3 retroactively on business combinations that took place before the changeover to IFRS.

The capital consolidation was carried out using the book-value-method. Thereby investments in associated companies are recognized at the proportionate share of equity. The goodwill in the opening balance according to IFRS corresponds to the respective book values in the financial statements prepared according to the Austrian Company Code at the date of the changeover to IFRS.

The active differences arising on consolidation, which are not undisclosed reserves, are offset against retained earnings. The offset of goodwill against reserves according to the Austrian Company Code was not reversed for the changeover to IFRS. Therefore this goodwill offset with the reserves is not taken into account for the determination of a profit/loss resulting from a subsequent disposal of the acquired company.

Reconciliation of the consolidated balance sheet as of 01/01/2006

IN TEUR	Austrian Company Code 31.12.2005	Change in the scope of consolidation	Effect of the changeover to IFRS	IFRS 01/01/2006
ASSETS				
Non-current assets				
Intangible assets	9.096	0	9.062	18.158
Plant, property and equipment	138.247	0	7.235	145.482
Investment property	0	0	474	474
Investments in associated companies	7.018	0	0	7.018
Financial assets	845	0	-74	771
Deferred tax assets	9.829	0	6.071	15.900
Other non-current assets	9.655	0	1.999	11.654
	174.690	0	24.767	199.457
Current assets				
Inventories	51.201	0	1.009	52.210
Trade and other receivables	112.252	0	-1.698	110.554
Current tax receivables	0	0	1.141	1.141
Short term financial assets	709	0	1.187	1.896
Cash and cash equivalents	156.665	0	-644	156.021
	320.827	0	995	321.822
Total Assets	495.517	0	25.762	521.279

LIABILITIES				
Equity				
Share capital	26.000	0	0	26.000
Capital reserves	976	0	0	976
Retained earnings	152.636	0	16.176	168.812
Revaluation reserve according to IAS 39	0	0	1.369	1.369
Translation component	-219	0	219	0
	179.393	0	17.764	197.157
Minority interest	7.238	0	1.394	8.632
	186.631	0	19.158	205.789
Non-current liabilities				
Long-term financial liabilities	173.607	0	623	174.230
Long-term provisions	12.274	0	5.146	17.420
Deferred tax receivables	562	0	4.447	5.009
Other non-current liabilities	2.178	0	-416	1.762
	188.621	0	9.800	198.421
Current liabilities				
Short-term financial liabilities	12.048	0	3.637	15.685
Short-term provisions	31.531	0	-5.955	25.576
Current tax liabilities	17.488	0	368	17.856
Trade and other liabilities	59.198	0	-1.246	57.952
	120.265	0	-3.196	117.069
Total Liabilities	495.517	0	25.762	521.279

Reconciliation of the consolidated balance sheet as of 12/31/2006

IN TEUR	Austrian Company Code 12/31/2005	Change in the scope of consolidation	Effect of the changeover to IFRS	IFRS 01/01/2006
ASSETS				
Non-current assets				
Intangible assets	18.610	988	10.958	30.556
Plant, property and equipment	228.307	5.587	8.598	242.492
Investment property	0	0	474	474
Investments in associated companies	9.221	0	262	9.483
Financial assets	18.875	-6.408	5.047	17.514
Deferred tax assets	16.732	105	374	17.211
Other non-current assets	7.516	-21	-2.311	5.184
	299.261	251	23.402	322.914
Current assets				
Inventories	62.178	596	1.314	64.088
Trade and other receivables	113.090	-873	-4.351	107.866
Current tax receivables	0	21	2.674	2.695
Short term financial assets	2.306	0	1.938	4.244
Cash and cash equivalents	120.093	866	11	120.970
	297.667	610	1.586	299.863
Total Assets	596.928	861	24.988	622.777
LIABILITIES				
Equity				
Share capital	26.000	0	0	26.000
Capital reserves	976	0	0	976
Retained earnings	229.763	508	9.727	239.998
Revaluation reserve according to IAS 39	0	0	2.573	2.573
Translation component	-1.340	-143	204	-1.279
	255.399	365	12.504	268.268
Anteile anderer Gesellschafter	14.808	-26	3.078	17.860
	270.207	339	15.582	286.128
Non-current liabilities				
Long-term financial liabilities	167.594	23	494	168.111
Long-term provisions	13.718	0	4.621	18.339
Deferred tax receivables	640	87	5.597	6.324
Other non-current liabilities	3.232	0	-2.356	876
	185.184	110	8.356	193.650
Current liabilities				
Short-term financial liabilities	14.395	270	4.318	18.983
Short-term provisions	23.016	0	-3.794	19.222
Current tax liabilities	16.468	185	2.430	19.083
Trade and other liabilities	87.658	-43	-1.904	85.711
	141.537	412	1.050	142.999
Total Liabilities	596.928	861	24.988	622.777

Reconciliation of the income statement 2006

IN TEUR	Austrian Company Code 12/31/2005	Change in the scope of consolidation	Effect of the changeover to IFRS	IFRS 01/01/2006
Sales	750.636	5.426	-1.450	754.612
Changes in inventories of finished goods and work in progress	-2.176	0	6	-2.170
Own work capitalized	45.196	0	26.182	71.378
Other operating income	19.760	212	2.630	22.602
Cost of material and other purchased services	-309.417	-2.978	-28.163	-340.558
Personnel cost	-124.548	-1.027	-1.602	-127.177
Depreciation of tangible and amortisation of intangible assets	-43.434	-861	1.197	-43.098
Other operating expenses	-183.581	-313	4.534	-179.360
Operating Profit	152.436	459	3.334	156.229
Share of the profit/loss of associated companies	1.176	0	1	1.177
Financial income	5.412	368	-488	5.292
Financial expenses	-9.465	-15	-406	-9.886
Financial result	-2.877	353	-893	-3.417
Profit from ordinary activities	149.559	812	2.441	152.812
Result from discontinued operations	3.754	0	-3.754	0
Taxes on income	-33.563	76	-5.734	-39.221
Net income for the year	119.750	888	-7.047	113.591
Change in retained earnings	0	0	0	0
Minority interest	-7.073	-115	-1.762	-8.950
Consolidated profit for the year	112.677	773	-8.809	104.641

Reconciliation of equity 2006

IN TEUR	Austrian Company Code 12/31/2005	Change in the scope of consolidation	Effect of the changeover to IFRS	IFRS 01/01/2006
+ Share capital	26.000	0	0	26.000
+ Capital Reserves	976	0	0	976
+ Retained earnings	229.763	508	9.727	239.998
+ Revaluation reserves according to IAS 39	0	0	2.573	2.573
+/- Transaction component	-1.340	-143	204	-1.279
+ Minority interest	14.808	-26	3.079	17.860
TOTAL EQUITY	270.207	-339	15.583	286.128

The effects of the changeover to IFRS mentioned above essentially concern the following positions:

Retained earnings:

	In TEUR
Intangible assets not including Goodwill: Change to depreciation method „pro rata temporis“	887
Goodwill: Capitalisation acc. to IFRS 3	3.448
Capitalisation of trademarks and patents	6.623
Tangible assets: Capitalization „finance lease“, Change in the estimated useful-life and change to depreciation method „pro rata temporis“	9.071
Inventories: Correction of purchase oriented impairment	1.313
Securities classified as current assets: Adjustment of rate	117
Current receivables: Reverse of tax capitalisation	-461
Deferred tax assets	-532
Bond and Swaps: Valuation acc. to effective interest rate method or fair value	-1.957
Deffered tax liabilities	-2.432
Obligations under finance lease	-2.855
Provisions: Essentially adjustments of the social capital acc. to IAS 19	-830

Revaluation reserve for financial Instruments acc. to IAS 39

The securities classified as available-for-sale are recognised at fair value as of the balance sheet date according to IAS 39.

Translation component

The date of the changeover to IFRS (January 1st, 2006) constitutes the basis for the historical currency translation.

Minority interest

Because of the change of the estimated useful-life of gambling machines from 4 to 7 years in Latvia a higher profit for the year results. Consequently minority interests were accorded with a higher share.

Other information

Average number of employees

The average number of employees evolved as follows:

	12/31/2007	12/31/2006
Salaried employees	3.066	2.234
Workers	3.144	2.136
Total	6.210	4.370

Related Party transactions

The following table contains the total amount of related party transactions for the respective period:

In TEUR	Associated companies		Management		Others	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Receivables	422	1.253	0	0	5.600	5.888
Payables	13	5	240	0	4.063	6.342
Other liabilities	0	0	0	0	4.283	2.142
Sales	3.827	5.551	0	0	17.057	17.811
Cost of material	0	0	0	0	44.680	34.145
Consulting services	0	0	265	89	902	478
Research and development	0	0	0	0	2.643	2.151
Other expenses	4	39	0	0	2.591	3.479

The transactions with associated companies result from the business related exchange of goods and services. The consolidated companies are mentioned under the scope of consolidation.

The position management comprises the supervisory board and the board of management of NOVOMATIC AG. The business relationships with the management result from consulting services. The management's remuneration is clarified under the note "company organs".

Other related parties are essentially companies that are controlled by the management or by the shareholders of NOVOMATIC AG.

The transactions with the other related parties result from the delivery of goods and services, rental fees and research and development services. The group received loans from related parties bearing interest at-arm's-length.

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

Contingent Liabilities

In TEUR	12/31/2007	12/31/2006
Bill commitments	56	219
Suretyships and guarantees	1.260	1.000
Other contingent liabilities	0	34
Total	1.316	1.253

Suretyships and guarantees concern essentially a payment guarantee against Bank Austria AG amounting to TEUR 1.000 (prior year: TEUR 1.000) for Mega Games srl. Bozen in aid of Atlantis World Group of Companies N.V. Netherlands.

Subsequent events

Subsequent to December 31st, 2007 no relevant events that would have led to a different presentation of the financial and profit situation arose.

Company Organs

The following members of the executive board were appointed for the business year 2007:

Dr. Franz Wohlfahrt (chairman)
KR Dipl. Ing. Ryszard Presch (deputy chairman)
Mag. Peter Stein

In the business year 2007, the supervisory board was constituted by the following members:

KR Herbert Lugmayr (chairman)
Dr. Gernot Hain (deputy chairman)
Helmut Jell
Mag. Karl Schlögl

The current total remuneration of the members of the executive board of NOVOMATIC AG amounted to TEUR 728 (previous year: TEUR 1.780) for the business year 2007. Within the expenses for severance payments and pensions TEUR 53 (previous year: TEUR 49) respectively TEUR 240 (previous year: TEUR 239) are attributed to the board of management.

The members of the supervisory board earned TEUR 72 (previous year: TEUR 22) for their occupation in the business year 2007.

Loans in the amount of TEUR 159 (previous year: TEUR 251) were accorded to members of the board of management as of December 31st, 2007. No liabilities for loans to members of the supervisory board and the board of management existed.

Statement of the executive board

The executive board hereby declares that the consolidated financial statements present fairly, in all material respects, the financial position of the group and the results of its operations as of December 31st, 2007, and that International Financial Reporting Standards (IFRSs) as adopted by the EU were complied with in full.

In the directors' report the development of the business, the result of operations and the situation of the Group are presented fairly so as to convey a true and fair view of the financial position of the Group and the results of its operations and so as to define all risk and uncertainties the group is exposed to.

Gumpoldskirchen, April 21st, 2008

The executive board of NOVOMATIC AG:



Dr. Franz Wohlfahrt m.p.
Chairman



DI Ryszard Presch m.p.
Deputy chairman



Mag. Peter Stein m.p.
CFO

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NOVOMATIC AG, Gumpoldskirchen for the financial year from January 1st, 2007 to December 31st, 2007. These consolidated financial statements comprise the balance sheet as at December 31st, 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended December 31st, 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of December 31st, 2007, and of its financial performance and its cash flows for the financial year from January 1st, 2007 to December 31st, 2007 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the consolidated management report

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

Vienna, April 21st, 2008

Deloitte Wirtschaftsprüfungs GmbH

Dr. Michael Heller

Austrian Certified Public Accountant

If the consolidated financial statements are published or transmitted in a version, which differs from the confirmed version, it is neither allowed to quote the audit opinion nor is it allowed to refer to our audit without prior consent.

This English translation of the audit report was prepared for the client's convenience only and is based on the German version. We are not liable for different interpretations resulting from the translation.

Financial Statements

NOVOMATIC AG

Balance sheet NOVOMATIC AG

as of December 31st, 2007

Assets	12/31/2007 EUR	12/31/2006 TEUR
A. Fixed assets		
I. Intangible assets		
Licences and similar rights	16.699.784,57	14.161
II. Tangible assets		
1. Land, buildings and improvements in third-party buildings	60.277.167,04	34.641
2. Plants and machinery	170.700,95	180
3. Office fixtures, fittings and equipment	1.050.957,79	796
4. Tangible assets in course of construction	2.590.046,68	872
	64.088.872,46	
III. Financial assets		
1. Shares in affiliated companies	178.373.610,60	131.318
2. Loans to affiliated companies	19.782.080,63	15.727
3. Investments	3.263.607,00	3.264
4. Securities held as fixed assets	6.132.171,20	5.868
5. Other loans	3.666.696,63	3.613
	211.218.166,06	
	292.006.823,09	210.440
B. CURRENT ASSETS		
I. Receivables and other assets		
1. Trade receivables	247.914,63	266
2. Receivables from affiliated companies	59.949.602,83	71.806
4. Other receivables and assets	6.852.671,65	3.001
	67.050.189,11	
II. Securities and Shares		
Other securities and shares	2.017.635,41	1.500
III. Cash, bank deposits	18.440.179,14	12.293
	87.508.003,66	88.866
C. PREPAID EXPENSES	1.234.129,80	1.077
	380.748.956,55	300.383

Liabilities	12/31/2007	12/31/2006
	EUR	TEUR
A. SHAREHOLDERS' EQUITY		
I. Share capital	26.000.000,00	26.000
II. Capital reserves (tied up)	976.371,00	976
III. Profit reserves legal reserves	1.623.629,00	1.624
IV. Retained profits (thereof profit carried forward EUR 56.674.368,16, prior year: TEUR 43,963)	114.157.137,36	86.674
	142.757.137,36	115.274
B. UNTAXED RESERVES		
Valuation reserve from special depreciation allowances	163.698,13	172
C. ACCRUALS		
1. Accruals for severance payment	691.279,00	211
2. Pension accruals	576.411,00	445
3. Tax accruals	115.000,00	0
4. Other accruals	480.105,39	1.146
	1.862.795,39	1.802
D. LIABILITIES		
1. Bonds	150.000.000,00	150.000
2. Due to banks	67.225.775,85	8.252
3. Trade payables	2.862.818,71	1.498
4. Payables to affiliated companies	361.197,55	364
5. Other liabilities		
a) thereof taxes	3.215,54	2.386
b) thereof social security	25.702,59	28
c) other	15.486.615,43	20.607
	15.515.533,56	
	235.965.325,67	183.135
	380.748.956,55	300.383
Contingent liabilities	18.156.192,03	17.197

Profit and Loss Account

for the period from January 1st, 2007 to December 31st, 2007

	2007 EUR	2006 TEUR
1. Sales	23.099.962,65	23.733
2. Other operating income		
a) Income from dissolution of accruals	0	6
b) Other	542.776,40	579
	542.776,40	
3. Personnel expenses		
a) Salaries	-1.512.683,72	-1.481
b) Expenses for severance payments and contributions to the external severance payments funds	-545.436,02	-79
c) Pension expenses	-131.092,00	-228
d) Cost of statutory social security, payroll-related taxes and mandatory contributions	-308.314,82	-282
e) Other social expenses	-29.610,50	-26
	-2.527.137,06	
4. Amortisation of intangible assets and depreciation of tangible assets	-6.437.231,99	-5.080
5. Other operating expenses		
a) Taxes not included in line 15	-59.951,00	-169
b) Other	-16.376.919,30	-10.076
	-16.436.870,30	
6. Operating income (subtotal of lines 1 to 5)	-1.758.500,30	6.897
7. Investment income (thereof from affiliated companies: EUR 70,276,439.79; prior year: TEUR 41,500)	70.589.193,07	41.622
8. Income from other investments and long term loans (thereof from affiliated companies: EUR 943,620.31; prior year: TEUR 1,167)	1.251.517,97	1.406

	2007	2006
	EUR	TEUR
9. Other interest and similar income (thereof from affiliated companies: EUR 1,025,758.68; prior year: TEUR 1,834)	3.009.953,22	2.419
10. Gain from disposal of and appreciation to financial assets	54.194,52	388
11. Expenses from financial assets (thereof depreciation EUR 6,123,558.44; prior year TEUR 2,042)	-6.895.213,44	-2.042
12. Interest and similar expenses (thereof from affiliated companies: EUR 18,644.23; prior year: TEUR 12)	-8.189.888,64	-7.434
13. Financial result (subtotal of lines 7 to 12)	59.819.756,70	36.359
14. Results from ordinary activities	58.061.256,40	43.256
15. Taxes on income	-586.844,50	-556
16. Net income for the year	57.474.411,90	42.700
17. Dissolution of untaxed reserves Evaluation reserve from special depreciation allowances	14.453,75	14
18. Allocation to untaxed reserves Evaluation reserve from special depreciation allowances	-6.096,45	-2
19. Net profit for the year	57.482.769,20	42.712
20. Profits carried forward from previous year	56.674.368,16	43.962
21. Retained profits	114.157.137,36	86.674

Audit opinion

We have audited the financial statements, including the accounting records of NOVOMATIC AG, Gumpoldskirchen, for the fiscal year from January 1st, 2007 to December 31st, 2007. The Company's management is responsible for the preparation and content of the financial statements and the accounting records and the management report in accordance with Austrian regulations. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report is in accordance with the financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from misstatement and whether we can state that the management report is in accordance with the financial statements. In determining audit procedures we considered our knowledge of the business, the economic and legal environment of the company and as well as the expected occurrence of errors. The audit involves procedures to obtain evidence about amounts and disclosures in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements are in accordance with legal requirements and present fairly in all material respects, the financial position of the NOVOMATIC AG as of December 31st, 2007 and of the results of its operations and its cashflows for the fiscal year from January 1st, 2007 to December 31st, 2007, in accordance with Austrian generally accepted accounting principles. The management report is in accordance with the financial statements.

Vienna, April 21st, 2008

Deloitte Wirtschaftsprüfungs GmbH

Dr. Michael Heller

Austrian Certified Public Accountant

If the consolidated financial statements are published or transmitted in a version, which differs from the confirmed version, it is neither allowed to quote the audit opinion nor is it allowed to refer to our audit without prior consent.

This English translation of the audit report was prepared for the client's convenience only and is based on the German version. We are not liable for different interpretations resulting from the translation.

Report of the Supervisory Board of NOVOMATIC AG

for the financial year 2007

In its meetings held during the course of the financial year 2007, 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 31st December, 2007 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 2007. The annual financial statements drawn up by the Board of Directors were approved by the Supervisory Board and thus adopted in accordance with the Aktiengesetz (AktG – Austrian Stock Companies Act).

The Supervisory Board acknowledges and thanks the Board of Directors and all employees of NOVOMATIC AG's companies for the work in the financial year 2007.

Gumpoldskirchen, April 2008

The Supervisory Board



KR Herbert Lugmayr

Chairman

Notes

This English translation of the financial statements for the year ended on 31st December, 2007 was prepared for the company's convenience only. It is not a binding legal translation of the German financial statements for the year ended 31st December, 2007. In case of differences between the English and the German versions the latter shall prevail.

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