



**Interim
Financial Report**
as of June 30, 2016

Overview of Key Figures

EUR m	01 - 06/2016	01 - 06/2015	Change	
			million	%
Revenues	1,094.9	988.2	+106.7	+10.8%
EBITDA	287.2	290.8	-3.6	-1.2%
Operating profit (EBIT)	141.4	161.8	-20.5	-12.6%
Profit for the period	79.6	103.4	-23.8	-23.0%
EBITDA margin (EBITDA/revenues)	26.2%	29.4%		
Free cash flow	-107.3	32.4	-139.7	-431.2%

EUR m	06/30/2016	12/31/2015	Change	
			million	%
Balance sheet total	3,258.5	2,997.2	+261.3	+8.7%
Equity	1,301.7	1,224.9	+76.7	+6.3%
Equity ratio (equity/balance sheet total)	39.9%	40.9%		
Number of employees (average)	22,373	19,955		+12.1%

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Consolidated Management Report

1. Purpose of the Business and Strategy

NOVOMATIC¹ is a globally operating, integrated gaming technology and entertainment group with more than 35 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, manufactures and distributes gaming products, lottery technologies and networked system solutions for national and international gaming and betting markets. NOVOMATIC furthermore operates more than 1,600 gaming facilities worldwide, which include casinos, automated casinos, bingo facilities and sports betting outlets.

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

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

2. Economic Conditions

In its updated forecast for 2016, the International Monetary Fund (IMF) expects the world economy to grow by 3.1 percent². The expansion of the global economy, therefore, remains below its long-term trend.

Even though commodity prices - mainly crude oil - were able to recuperate in the first half of the year, and the stock markets also gained stability, the global business climate has remained disappointing in recent months. The economic situation in the newly industrialized countries that export commodities remained tense, whether in the Latin American economic area, the Middle East, or Russia.

For emerging market economies, the IMF expects the gross domestic product (GDP) to grow by 4.1 percent. Apart from China, which in 2016 will experience a further setback in GDP growth with plus 6.6 percent (after plus 6.9 percent in 2015), this dynamic is particularly fueled by Russian and Brazilian economies, which have slid into a recession.

According to the IMF, the major developed countries should be able to increase their gross domestic products by 1.8 percent (after 1.9 percent in 2015). The United States contributes significantly to this development, with a 2.2 percent increase in its GDP; lower investment activity and weaker exports due to the stronger US dollar can be named as reasons for this.

The "Brexit" referendum held in Great Britain in June 2016, which ended in a surprising vote to exit the European Union, has led to significant volatility in the international financial markets. In the opinion of the IMF, the insecurity arising because of this decision will bring negative macroeconomic consequences to the European Union, which means a clear reduction in the economic forecast for 2016, especially for Great Britain.

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

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

² According to the World Economic Outlook provided by the International Monetary Fund (IMF), Forecast 07/2016

3. Business Performance

Significant Events during the First Half of 2016

Acquisitions of Corporate Shares

In the second half of 2015, NOVOMATIC entered into several purchase agreements on the acquisition of direct and indirect interests in Casinos Austria Aktiengesellschaft (CASAG). The total volume amounts to a share of approximately 39.5 percent in CASAG.

As required by antitrust laws, NOVOMATIC filed a notice of merger or acquisition of control with the Austrian Federal Competition Authority (BWB) in December 2015. The proposed merger, which was submitted for evaluation, includes the intended (direct or indirect) acquisition of more than 25 percent of the shares of CASAG and of more than 25 percent of the shares (indirectly) of Österreichischen Lotterien GmbH (Österreichische Lotterien).

CAME Holding GmbH, a company owned by the Sazka Group and co-owner of Medial Beteiligungs-Gesellschaft mbH (Medial), lodged a declaratory action against Medial and MTB Privatstiftung, both shareholders of CASAG, with the Commercial Court of Vienna. These actions resulted in the BWB requesting an examination by the antitrust court in February 2016, as the BWB had reservations regarding the acquisition of CASAG shares by NOVOMATIC on formal grounds, based on the pending legal actions.

With the objective of avoiding a legal dispute in this matter, which might have lasted several years, to the benefit of CASAG, and in order to eliminate the Federal Competition Authority's formal reservations, NOVOMATIC entered into a long-term strategic partnership with the Sazka Group in February 2016. Both the Sazka Group and NOVOMATIC intend to contribute their individual shares previously acquired or to be acquired in CASAG and Österreichische Lotterien into a joint venture company, in which the two groups, acting as equal partners, will combine their existing know-how. The actions brought by representatives of the Sazka Group were suspended (complaint against Medial) and concluded with legal effect (complaint against MTB).

This transaction requires comprehensive approvals according to public and company law (including antitrust laws), as well as approvals from various national and international licensing and regulatory authorities. Therefore, this transaction is not expected to complete before the end of 2016.

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

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

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

Concessions and other important events

With its decisions from May and June 2016, the Higher Administrative Court (VwGH) repealed notifications of the provincial governments of Lower Austria and Burgenland. The object of these notifications were licenses for state-licensed machine gaming which had been previously granted to the NOVOMATIC Group. The decisions were justified with formal deficiencies of both provincial governments. The Lower Austrian Provincial Gambling Act allows the operation of gaming machines to be continued for a period of 18 months. In Burgenland the operation has to be continued for 12 months.

In June of 2014, the Austrian Federal Ministry of Finance (BMF) granted licenses for the operation of casinos according to § 21 of the Austrian Gaming Act. Because of a complaint brought forward by a competitor, the individual licenses granted to ADMIRAL Casinos & Entertainment AG for the locations Vienna North-East (Prater) and Lower Austria (Bruck an der Leitha) were revoked by the Federal Administrative Court in July 2015. Both NOVOMATIC and the Federal Ministry of Finance filed an appeal against the verdict and requested the administrative court to carry out an extraordinary audit. With two findings from June 2016, the VwGH confirmed the decisions of the Federal Administrative Court and dismissed the audits.

In April 2016, Gryphon Invest AG increased its interest in NOVOMATIC AG from 8 percent to 10 percent. This transaction led to an increase of equity capital by EUR 0.6 million and of capital reserves by EUR 84.4 million of NOVOMATIC AG.

Earnings Position

In the first half of 2016, NOVOMATIC Group's sales revenue was EUR 1,094.9 million, compared to EUR 988.2 million in the same period of 2015. The largest increase in sales, in absolute figures, was achieved in the area of gaming machine revenue, which increased by 11.8 percent. Major contributions to this development were made primarily by acquiring numerous gaming hall operators in Germany, Italy and Spain. Significant revenue increases were also achieved regarding betting, sales and rental revenues.

The cumulated other operating income decreased by EUR 7.4 million over the same period of 2015. In comparison to the previous year, negative currency effects contributed strongly to this development. Furthermore, in the first half of 2015 deconsolidation profits from disposal of several subsidiaries were included in other operating income. This special effect of the previous year also led to a decline in this position in the current reporting period.

With higher sales revenues and increased own work capitalized (regarding internally produced gaming machines), the material expenditures increased by EUR 35.7 million against the previous year. The inventories of finished goods and work in progress grew by EUR 9.9 million during the reporting period.

During the first half of the year, personnel expenses within the NOVOMATIC Group amounted to EUR 316.2 million, compared to EUR 274.3 million during the previous year. The increase is chiefly due to the numerous acquisitions carried out recently in the United Kingdom and Germany.

The other operating expenses (including gaming taxes) increased to EUR 466.0 million, compared to EUR 425.8 million during the previous year. These increases are mainly related to the expansion of business activity and result from positions such as gaming taxes and betting fees, other taxes, fees and levies, as well as expenses from leasing, rental and operating costs.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the first half year in 2016 came in at EUR 287.2 million, which is EUR 3.6 million under the result achieved in the first half of 2015. The operating profit (EBIT) declined by EUR 20.5 million, due to higher planned and unplanned amortizations, and amounted to EUR 141.4 million.

EBITDA and EBIT represent business indicators that are not defined in the International Financial Reporting Standards (IFRS). They serve the management of NOVOMATIC as measurement and control levers for the economic success and the profitability of the Group. The EBIT figure corresponds to the operating profit as in represented the consolidated income statement for NOVOMATIC. The EBITDA figure is calculated as the operating profit (EBIT) adjusted with scheduled and unscheduled depreciation and revaluation on intangible assets and tangible assets.

The EBITDA margin included in the overview of key figures on page 1 of the interim financial report represents a business indicator that is not defined in the International Financial Reporting Standards (IFRS). This performance figure represents the ratio of EBITDA to revenues and serves the management of NOVOMATIC as a measurement and control lever regarding the Group's profitability.

The financial result worsened by EUR 11.9 million in the reporting period due to negative currency effects from intra-group financing. The earnings before taxes decreased to EUR 118.8 million during the reporting period. This corresponds to a decrease of EUR 32.3 million. After taking income tax amounting to EUR 39.2 million into consideration, the Group was able to record a profit of EUR 79.6 million for the first half of 2016, compared to EUR 103.4 million for the previous year.

Assets Position

The balance sheet total increased by EUR 261.3 million to EUR 3,258.5 million compared to that of December 31, 2015. The largest increases on the asset side of the balance sheet are related to intangible assets (higher goodwill due to acquisitions in the UK) and tangible assets. The short-term assets rose by EUR 63.0 million to EUR 1,262.4 million, whereby increases in cash and cash equivalents as well as inventory were the essential contributing factors for the increase in this position.

On the other side of the balance sheet, equity increased by EUR 76.7 million to EUR 1,301.7 million. A significant change occurred in long-term liabilities, which increased by more than EUR 174.3 million compared to the balance sheet date. In contrast, short-term liabilities were almost unchanged in comparison to the previous year.

The equity ratio included in the overview of key figures on page 1 of the interim financial report represents a business indicator that is not defined in the International Financial Reporting Standards (IFRS). This ratio represents the equity in proportion to total balance sheet and serves the management of NOVOMATIC as an indicator of the financial stability of the Group and the independence towards its lenders.

Financial Situation

Across the Group, in the first half of 2016, cash flow from operating activities decreased slightly to EUR 194.2 million compared to EUR 199.1 million in 2015. In comparison to the previous year, higher depreciation and less cash flow for income tax were able to compensate only partially for lesser operating profit during the current reporting period.

The cash flow from investment activities decreased from EUR -166.7 million in the previous year to EUR -301.5 million during the reporting period. The position "acquisition of consolidated companies, net of cash" deviated significantly from the previous year, due to the acquisition of Talarius. There were also increases in the areas of investments in intangible assets and tangible assets.

The cash flow from financing activity underwent a notable positive development in comparison to the previous year period (EUR -207.1 million) and amounted to EUR 157.6 million. Besides a negative cash flow effect in the first half of 2015 from the redemption of a bond and the capital increase performed by Gryphon Invest AG in April 2016, lower dividend payments led to the increase in the current reporting period.

The free cash flow decreased from EUR 32.4 million during the previous year to EUR -107.3 million. The Free Cash Flow (FCF) represents a business indicator that is not defined in the International Financial Reporting Standards (IFRS). The FCF is calculated as sum of the cash flow from operating activities and investing activities (which are both illustrated in the Group cash flow statement). Free cash flow serves as an indicator for the company's internal financing capability, measuring the company's ability of using continuous inflow to pay out dividends, reduce debts and finance further investments.

4. Segment Analysis

Segment Reporting Contents

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

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

The Gaming Operations segment includes the business area of gaming operations including betting as well as the sales channel Online, as far as it refers to the B2C segment.

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

Gaming Technology

The external revenues in the Gaming Technology segment amounted to EUR 453.0 million in the reporting period. This represents an increase of EUR 34.4 million over the previous year. The growth is largely attributable to the Playnation Group (Playnation), a British corporation which operates around 20,000 entertainment devices and gaming machines in over 1,700 locations (of third parties) in the United Kingdom. NOVOMATIC acquired Playnation in September 2015.

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

In Italy, an increase in the number of gaming machines rented out was achieved in the first half of 2016, and the average income performance of the machines also improved against the previous year.

Gaming Operations

The external revenues in the Gaming Operations segment amounted to EUR 631.9 million in the reporting period, representing a further increase over the previous year (EUR 562.1 million). During the first half of 2016, the expansion of gaming operations continued, whereby the number of locations operated by NOVOMATIC as of June 30, 2016, had increased to over 1,600. Significant contributions to this development were made by recently implemented acquisitions of small gaming hall operators, and the acquisition of Talarius in Great Britain also contributed significantly to this increase, although the revenue contributions from Talarius in the reporting period were still insignificant (due to the equivalent allocation to consolidated companies as of the date of takeover).

In the Austrian core market, revenues declined significantly in 2015 due to the changes to the regulatory framework in the federal capital. In the current reporting period, a trend reversal can be achieved, whereby a significant increase in comparison to the previous year can be experienced, particularly where betting revenues are concerned.

The Group's German gaming operations were able to successfully maintain their excellent market position during the first half of 2016. In particular, Extra Games Entertainment GmbH, which focuses on the area of commercial machine gaming, was able to achieve a positive revenue development despite the difficult market environment.

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

Other

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

5. Non-financial Performance Indicators – Employee Issues

As of June 30, 2016, 22,991 individuals were employed by the NOVOMATIC Group (headcount as of the balance sheet date). Compared to the end of the year 2015, this corresponds to an increase in the number of employees by 2,803. This rise is mainly due to the expansion in current and new markets.

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

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

After the end of the interim reporting period, there were no events of special significance that had a substantial influence on the asset, revenue and financial situation of the NOVOMATIC Group.

7. Significant Risks and Uncertainties

NOVOMATIC's annual report for the financial year 2015 includes the main risks and uncertainties which could have a considerable negative impact on the NOVOMATIC Group's asset, financial and earnings position and reputation. During the first six months of the financial year 2016, no further significant risks and uncertainties were identified beyond those presented in the annual report for the financial year 2015.

The annual report for the financial year 2015 furthermore includes a detailed description of the structure of the risk management system, as well as the main characteristics of the internal controlling system regarding the accounting process.

Consolidated Interim Financial Statements

Consolidated Balance Sheet

EUR m	06/30/2016	12/31/2015
ASSETS		
Non-current assets		
Intangible assets	635.7	507.5
Property, plant and equipment	911.1	861.7
Investment property	18.3	18.7
Investments in associated companies	0.2	0.2
Financial assets	217.6	204.1
Deferred tax assets	105.3	94.3
Other non-current assets	107.8	111.3
	1,996.1	1,797.8
Current assets		
Inventories	208.0	191.9
Trade receivables, other receivables and assets	362.8	359.2
Current tax receivables	34.5	30.5
Current financial assets	31.5	32.3
Cash and cash equivalents	625.4	585.4
Assets held for sale	0.2	0.2
	1,262.4	1,199.5
Total ASSETS	3,258.5	2,997.2
EQUITY AND LIABILITIES		
Equity		
Share capital	26.6	26.0
Capital reserves	85.4	1.0
Retained earnings	1,199.8	1,180.5
Revaluation reserve	-14.9	-8.6
Currency translation adjustment	-54.1	-23.9
	1,242.8	1,175.1
Non-controlling interests	58.9	49.9
	1,301.7	1,224.9
Non-current liabilities		
Non-current financial liabilities	1,204.9	1,043.7
Non-current provisions	56.1	52.1
Non-current tax liabilities	18.2	18.3
Deferred tax liabilities	74.7	70.4
Other non-current liabilities	29.4	24.8
	1,383.4	1,209.2
Current liabilities		
Current financial liabilities	33.1	36.9
Current provisions	48.1	48.1
Current tax liabilities	34.7	27.8
Trade payables and other liabilities	457.5	450.4
	573.4	563.1
Total EQUITY AND LIABILITIES	3,258.5	2,997.2

Consolidated Income Statement

EUR m	01 - 06/2016	01 - 06/2015
Revenues	1,094.9	988.2
Changes in inventories of finished goods and work in progress	9.9	15.9
Own work capitalized	90.8	69.9
Other operating income	48.3	55.7
Cost of material and other purchased services	-174.4	-138.7
Personnel expenses	-316.2	-274.3
Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property	-145.8	-129.0
Gaming taxes and betting fees	-104.6	-89.0
Other operating expenses	-361.5	-336.9
Operating profit	141.4	161.8
Interest income	4.1	4.2
Other financial income	0.3	0.3
Interest expense	-17.0	-14.9
Other financial expenses	-3.9	-5.1
Currency exchange gains / losses from intra-group financing	-6.1	4.7
Financial result	-22.6	-10.8
Earnings before taxes	118.8	151.1
Income taxes	-39.2	-47.6
Profit for the period	79.6	103.4
thereof attributable to non-controlling interests	4.2	1.3
thereof attributable to shareholders of the parent (net profit)	75.5	102.2

Consolidated Statement of Comprehensive Income

EUR m	01 - 06/2016	01 - 06/2015
Profit for the period	79.6	103.4
Amounts that will be reclassified to income statement in subsequent periods		
Currency translation	-30.2	18.4
Market value of financial assets available for sale	-8.4	13.0
Apportionable income tax	2.1	-3.2
Amounts that will not be reclassified to income statement in subsequent periods		
Revaluation of the net defined benefit liability	0.0	0.0
Apportionable income tax	0.0	0.0
Other comprehensive income after taxes	-36.5	28.3
Total comprehensive income	43.1	131.7
thereof attributable to non-controlling interests	4.2	1.5
thereof attributable to shareholders of the parent (net profit)	39.0	130.2

Consolidated Cash Flow Statement

EUR m	01 - 06/2016	01 - 06/2015
Operating profit	141.4	161.8
Loss (+) / Gain (-) from the disposal of fixed assets	-7.3	-4.4
Depreciation (+) / Appreciation (-) of fixed assets	145.8	128.9
Other non-cash income and expenses	-14.8	-19.2
Interest received and interest-related income	4.4	4.5
Taxes paid	-42.8	-63.4
	226.7	208.2
Increase (-) / Decrease (+) in inventories	-14.3	-13.5
Increase (-) / Decrease (+) in receivables	-22.0	-23.6
Increase (+) / Decrease (-) in provisions	1.5	3.4
Increase (+) / Decrease (-) in liabilities	2.4	24.5
Cash flow from operating activities	194.2	199.1
Proceeds from the disposal of fixed assets (excluding financial assets)	33.7	25.7
Proceeds from the disposal/repayment of financial assets	0.4	2.7
Proceeds from the sale of consolidated companies, net of cash	33.7	29.6
Acquisition of intangible assets, property, plant and equipment	-195.1	-144.6
Acquisition of financial assets and other financial investments	-42.0	-56.3
Acquisition of consolidated companies, net of cash	-132.2	-23.8
Cash flow from investing activities	-301.5	-166.7
Proceeds from capital increase	85.0	0.0
Dividend payments	-50.0	-155.2
Expenditures from change in interests in subsidiaries (without change of control)	0.0	-0.2
Expenditures from the redemption of bonds	0.0	-189.4
Proceeds from bank loans and financial liabilities	162.8	173.1
Expenditures from bank loans and financial liabilities	-19.6	-6.2
Interest paid and interest-related expenses	-20.6	-29.1
Cash flow from financing activities	157.6	-207.1
Net change in cash and cash equivalents	50.3	-174.7
Currency translation adjustments	-10.3	1.9
Changes in cash and cash equivalents due to changes in scope of consolidation	0.0	0.1
Net change in cash and cash equivalents	40.0	-172.7
Cash and cash equivalents at the beginning of the period	502.5 ¹	627.2
Cash and cash equivalents at the end of the period	542.5	454.5
Net change in cash and cash equivalents	40.0	-172.7

1 The cash and cash equivalents shown on the balance sheet amount to EUR 625.4 million. The deviation of EUR 82.9 million against the cash and cash equivalents disclosed in the cash flow statement is the result of funds tied up for tax liabilities. The deposited amount for tax liabilities is already represented in the cash flow statement as a cash transaction.

Consolidated Statement of Changes in Equity

Shares of shareholders of NOVOMATIC AG							Non-controlling interests	Equity
EUR m	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment	Total		
As of 01/01/2016	26.0	1.0	1,180.5	-8.6	-23.9	1,175.1	49.9	1,224.9
1) Total comprehensive income								
Profit for the period	0.0	0.0	75.5	0.0	0.0	75.5	4.2	79.6
Other comprehensive income	0.0	0.0	0.0	-6.3	-30.2	-36.5	0.0	-36.5
2) Dividend payments	0.0	0.0	-50.0	0.0	0.0	-50.0	0.0	-50.0
3) Change in non-controlling interests	0.0	0.0	-0.2	0.0	0.0	-0.2	0.2	0.0
4) Changes in the scope of consolidation	0.0	0.0	0.3	0.0	0.0	0.3	4.6	4.9
5) Obligation from written put options for non-controlling interests	0.0	0.0	-6.3	0.0	0.0	-6.3	0.0	-6.3
6) Capital increase	0.6	84.4	0.0	0.0	0.0	85.0	0.0	85.0
As of 06/30/2016	26.6	85.4	1,199.8	-14.9	-54.1	1,242.8	58.9	1,301.7

Shares of shareholders of NOVOMATIC AG							Non-controlling interests	Equity
EUR m	Share capital	Capital reserve	Retained earnings	Revaluation reserves	Currency translation adjustment	Total		
As of 01/01/2015	26.0	1.0	1,139.9	-9.4	-30.9	1,126.5	47.8	1,174.3
1) Total comprehensive income								
Profit for the period	0.0	0.0	102.2	0.0	0.0	102.2	1.3	103.4
Other comprehensive income	0.0	0.0	0.0	9.9	18.1	28.0	0.3	28.3
2) Dividend payments	0.0	0.0	-152.0	0.0	0.0	-152.0	-3.2	-155.2
3) Change in non-controlling interests	0.0	0.0	-1.4	0.0	0.0	-1.4	-0.7	-2.1
4) Changes in the scope of consolidation	0.0	0.0	-11.0	0.0	0.0	-11.0	0.8	-10.2
5) Obligation from written put options for non-controlling interests	0.0	0.0	-2.8	0.0	0.0	-2.8	0.0	-2.8
As of 06/30/2015	26.0	1.0	1,074.8	0.4	-12.8	1,089.4	46.3	1,135.7

Selected Explanatory Notes

Accounting Principles

The present consolidated interim financial statements of NOVOMATIC AG as of June 30, 2016, were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU applicable for interim financial reports. The condensed reporting scope of the consolidated interim financial statements is in conformity with IAS 34 "interim financial reporting."

The accounting and valuation methods used in compiling the consolidated interim financial statements are the same as those used in compiling the consolidated financial statements dated December 31, 2015. For more information, please refer to the consolidated financial statements of NOVOMATIC AG as of December 31, 2015.

The following new or revised standards and interpretations that are relevant to the NOVOMATIC Group were first applicable starting on January 1, 2016, and had no significant effects on the consolidated interim financial statements:

- Amendment to IAS 1 "Disclosure Initiative"
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"
- Amendments to IFRS 11 "Acquisition of an Interest in a Joint Operation"
- Annual Improvements to IFRS 2012-2014

The consolidated interim financial statements are prepared in Euros (EUR). All amounts are, if not stated otherwise, shown in millions of Euros (EUR m).

Scope of Consolidation

These consolidated financial statements cover NOVOMATIC AG and the companies that it controls. The following companies were included in the consolidation scope of the interim reporting period for the first time:

- Turhan Spielsalon GmbH, Germany
- Red Devil Spielothek GmbH, Germany
- Königstrasse Spielstätten und Automaten UG, Germany
- Moislinger Spielstätten Automaten UG, Germany
- Mühlenstrasse Spielstätten und Automaten UG, Germany
- Ainsworth (UK) Ltd., Great Britain
- Talarius Ltd., Great Britain
- RAL Ltd., Great Britain
- Electro System S.p.A., Italy
- Promotrice Giochi S.r.l., Italy
- BOLUS d.o.o., Croatia
- Super Sansa d.o.o., Croatia
- Blue Sky d.o.o., Croatia
- Novo Panama S. de R.L., Panama

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

Scope of Consolidation	Fully consolidated	Valued at equity	Joint activity
As of 1/1/2016	188	1	1
First time inclusion in 2016	14	0	0
Disposed of in 2016	-2	0	0
Merged in 2016	-2	0	0
Switched from at-equity valuation to fully consolidated in 2016	0	0	0
As of 06/30/2016	198	1	1
thereof non-Austrian companies	177	0	1

Affiliated companies, whose influence on the financial position and 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.

Acquisitions 2016

Talarius Group

On June 24, 2016, the group company Novomatic UK Ltd., Great Britain, acquired 100 percent of the shares in the British gaming operator Talarius Ltd., Great Britain. The acquired company operates 7,500 gaming terminals in 162 gaming facilities through the operative subsidiary RAL Ltd., Great Britain. With this acquisition, the group is continuing consistently with its expansion strategy.

The Talarius Group is included based on provisional fair values, as the values in the opening balance have not yet been conclusively determined. Likewise, the total purchase price has not yet been fully allocated to the acquired assets and assumed liabilities. In particular, changes in the value of intangible assets to be recognized as well as goodwill will occur.

The provisional fair values at the acquisition date are as follows:

EUR m	fair values
Intangible assets	0.0
Property, plant and equipment	21.1
Other non-current assets	0.5
Deferred tax assets	4.6
Inventories	0.1
Cash and cash equivalents	9.8
Other current assets	4.4
Non-current liabilities and provisions	-1.0
Deferred tax liabilities	0.0
Current liabilities and provisions	-17.0
Net assets	22.5
Non-controlling interests	0.0
Goodwill	101.2
Consideration	123.7

The consideration amounting to EUR 123.7 million has been paid in cash. The other current assets include trade receivables with a fair value of EUR 0.1 million (gross amounts).

Revenue amounts to EUR 1.4 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR 0.2 million.

Germany

On January 25, 2016, Extra Games Entertainment GmbH, Germany, acquired 100 percent of the shares of the newly founded company Turhan Spielsalon GmbH, Germany, followed by the transfer of 5 gaming halls. The acquired company operates 5 gaming facilities with 58 AWP (Amusement with Prizes) gaming machines.

On April 1, 2016, the group company also acquired 100 percent of shares in Red Devil Spielothek GmbH, Germany. The acquired company operates 4 gaming halls with 77 AWP gaming machines.

On May 2, 2016, the group company also acquired 100 percent of shares in the three German companies Königstrasse Spielstätten und Automaten UG, Moislinger Spielstätten Automaten UG and Mühlenstrasse Spielstätten und Automaten UG. The acquired companies operate a total of 3 gaming facilities with 40 AWP gaming machines.

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

Great Britain

On April 15, 2016, Novomatic UK Ltd., Great Britain, acquired 100 percent of the shares in Ainsworth (UK) Ltd., Great Britain. The acquired company distributes gaming machines produced by the Australian manufacturer Ainsworth for the European market. With this transaction, the group broadened its distribution channels.

Italy

On January 1, 2016, Novomatic Italia S.p.A., Italy, acquired 75 percent of the shares in Electro Systems S.p.A., Italy. The acquired company develops and manufactures CPUs for AWP gaming machines. Call and put options have been agreed for the remaining 25 percent shares of non-controlling interests. The obligation resulting from the written put option was balanced as a liability. With this acquisition, the Group enhances its production capacity for the Italian market.

On January 29, 2016, Allstar S.r.l., Italy, acquired 100 percent of the shares in Alpina Entertainment S.r.l., Italy, which immediately merged. The subject of the transaction is the placement of 460 AWP in hospitality establishments. This acquisition enhances the Group's market position in the Italian market for machine placement.

On April 1, 2016, Admiral Entertainment S.r.l., Italy, acquired 100 percent of the shares in Promotrice Giochi S.r.l., Italy. The acquired company operates a bingo hall with 20 AWP and 85 VLTs in the Milan region. With this acquisition, the group expanded its existing portfolio in Italy to include bingo activities.

Croatia

On May 17, 2016, Novo Gaming d.o.o., Croatia, acquired 100 percent of the shares in Bolus d.o.o., Croatia, and its subsidiary Super Sansa d.o.o., Croatia. The acquired company operates 96 betting shops and 2 gaming facilities with 30 AWP gaming machines apiece.

On June 1, 2016, the group company also acquired 100 percent of shares in Blue Sky d.o.o., Croatia. The acquired company operates a casino in Split with 13 live game gaming tables, 1 multiplayer roulette and 177 gaming machines.

With this acquisition, the group continues its expansion strategy in the Croatian gaming market.

As of the reporting date, the accounting of the individual business combinations in accordance with IFRS 3 in Germany, Great Britain, Italy and Croatia has not been mainly concluded. Accordingly, the values in the opening balances have not yet been finally determined, and the allocation of the total purchase price for the assets acquired and liabilities assumed is also not yet completed. Changes are possible, in particular in the area of intangible assets. The inclusion of these acquired companies in the consolidated interim financial statements is therefore partially based on provisional fair values.

In the following overview, the provisional fair values for the further business combinations in Germany, Great Britain, Italy and Croatia, excluding the separately disclosed Talarius Group are presented in summary:

EUR m	fair values
Intangible assets	26.5
Property, plant and equipment	3.8
Other non-current assets	1.4
Deferred tax assets	1.0
Inventories	3.6
Cash and cash equivalents	4.4
Other current assets	9.0
Non-current liabilities and provisions	-11.6
Deferred tax liabilities	-8.2
Current liabilities and provisions	-9.8
Currency difference	0.0
Net assets	20.1
Non-controlling interests	-4.6
Goodwill	27.4
Consideration	43.0

The consideration for the listed acquisitions amounted to EUR 43.0 million, with EUR 22.3 million being paid in cash, EUR 7.7 million resulting from contingent considerations and EUR 13.0 million resulting from offsetting with receivables. The contingent purchase price has been calculated depending on the development of the underlying performance indicators for future periods including 2017.

Non-controlling interests are valued at their respective shares of the identifiable net assets at the acquisition date.

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

The other current assets include trade receivables with a fair value of EUR 5.6 million (gross amounts).

Revenue has amounted to EUR 19.5 million since the acquisition dates, whereas the results for the period amount to EUR 5.2 million.

Further comments on the acquisitions

The disclosures of revenues and results or losses of the acquired companies under the assumption that the acquisition date for all business combinations is the beginning of the reporting period was omitted, since it would require considerable additional effort and its information value in terms of the consolidated interim financial statements would be insignificant.

Intangible Assets

Goodwill developed as follows:

Acquisition costs	Goodwill
As of 01/01/2016	167.5
Currency translation adjustments	-2.9
Acquisitions through business combinations	128.6
Disposals	-0.2
As of 06/30/2016	292.9

Cumulative depreciation and amortization	Goodwill
As of 01/01/2016	42.2
Disposals	-0.2
As of 06/30/2016	42.0

Carrying value as of 01/01/2016	125.3
Carrying value as of 06/30/2016	250.9

The increase of goodwill is attributable to the afore mentioned company acquisitions, especially that of the Talarius Group. As of the reporting date, the accounting of the company acquisitions, and therefore the determination of the goodwill resulting therefrom, is only temporary.

Disclosures on Financial Instruments

The valuation methods and processes as well as the classification of financial instruments are described in detail in the consolidated financial statements as of December 31, 2015, and were applied to the interim reporting period accordingly, without any changes.

a) Fair value of financial assets and liabilities carried at fair value regularly

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

EUR m	06/30/2016	12/31/2015	Hierarchy
Assets			
Securities	16.3	18.5	Level 1
Financial investments	183.1	188.4	Level 3
Derivatives (positive market values)	0.2	0.9	Level 2
Derivatives (options)	3.2	3.2	Level 3
Liabilities			
Contingent considerations from business combinations	17.1	15.7	Level 3
Derivatives (negative market values)	2.2	0.7	Level 2

Securities classified as financial assets available for sale include listed equity instruments such as shares and/or debt instruments such as bonds. For the valuation, the bid prices quoted on an active market are used.

The financial investments include the indirectly held 23.11 percent interest in Österreichische Lotterien Gesellschaft mbH (ÖLG). For the fair value measurement, an industry multiple derived from a peer group of several international lottery companies was applied. The main input factor for this is the average ratio of enterprise value to EBITDA of 9.6x for the selected peer group which is based on current market data and represents the average market capitalization. For an acquisition, a premium of 14 percent was added. This resulted in a current market value of EUR 183.1 million for the investment as of the balance sheet date. This subsequent measurement was recorded in equity, resulting in an impairment of EUR -5.2 million, which had no impact on income. An increase of this multiple by 0.5x would raise the fair value by EUR 10.1 million.

The derivative financial instruments mainly comprise interest rate swaps, interest rate options and forward currency contracts, the fair value of which is ascertained using the discounted cash flow method. For this, the future cash flows determined as of the valuation date are discounted using suitable discount rates with matching maturities (observable yield curves on the balance sheet date). The market valuations of derivative financial instruments are carried out by the Group's own treasury management system as well as the banks involved. The market value for derivatives corresponds to the value which the individual company would receive or have to pay if the contract were settled as of the balance sheet date. The changes in fair value are recorded in profit and loss.

In order to hedge financial risks, the NOVOMATIC Group entered into the following derivative contracts:

EUR m	06/30/2016		12/31/2015	
	Nominal amount	Market value	Nominal amount	Market value
USD forward transaction (positive)	18.4	0.2	37.4	0.9
USD forward transaction (negative)	39.4	-1.1	25.0	-0.6
Interest rate swap	77.5	-1.2	77.5	-0.1

Through an option, the NOVOMATIC Group has secured the right to acquire shares in an unlisted company. In order to determine the price of this purchased option, an evaluation method based on market prices was applied by determining a multiple derived from market data for comparable companies. This resulted in a positive market value of EUR 3.2 million for the option.

The contingent considerations from business combinations result from the contractual obligations of the acquiring Group company to pay an additional purchase price to the seller if certain contractually agreed revenue or EBITDA goals are reached within a certain period of time after closing.

The valuation of the obligations from contingent purchase prices is based on updated revenue and/or EBITDA estimates. The contingent considerations are shown in the balance sheet with EUR 9.4 million (previous year: EUR 9.4 million) under other non-current liabilities (purchase price obligations) and with EUR 7.7 million (previous year: EUR 6.4 million) under trade payables and other liabilities (purchase price obligations). The change in the contingent consideration from business combinations by EUR 1.3 million is the result of an addition amounting to EUR 7.7 million from acquisitions and a disposal amounting to EUR -6.4 million from settlement. Purchase price obligations have residual terms of 1 to 2 years.

An increase of the underlying revenue and/or EBITDA amounts by +10.0 percent would result in an increase of the obligation by EUR 0.9 million (previous year: EUR 1.5 million), a reduction of these amounts by -10.0 percent would lead to a reduction in the obligation by EUR 3.8 million (previous year: EUR 1.5 million).

b) Fair value of financial assets and liabilities not carried at fair value regularly, whereby the fair value has to be disclosed

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

	06/30/2016		12/31/2015		
EUR m	Carrying value	Fair value	Carrying value	Fair value	Hierarchy
Financial liabilities					
Bonds	592.3	632.3	592.0	625.8	Level 1
Bank and leasing liabilities	640.4	641.1	483.8	484.5	Level 2

The fair value of the bonds is the price listed on the stock market. The market value of the bank and leasing liabilities was determined by discounting the future fixed cash flows related to these liabilities using the current market interest rate.

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

For cash, trade receivables, trade payables, other current receivables and other current liabilities, the fair value roughly corresponds to the carrying value due to the short residual maturities.

For loans and borrowings, as well as other non-current financial receivables and liabilities, no major deviations between fair value and carrying value are assumed. The default risk is taken into consideration through the application of valuation allowances.

Segment Reporting

01 - 06/2016

EUR m

	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	453.0	631.9	9.9	0.0	1,094.9
Intra-segment revenues	65.5	4.4	3.5	-73.4	0.0
Total revenues	518.5	636.3	13.5	-73.4	1,094.9
Amortization and depreciation	-93.4	-49.2	-3.2	0.0	-145.8
Segment result (EBIT)	72.5	80.2	-4.5	-6.7	141.4
Financial result					-22.6
Earnings before taxes					118.8
Income taxes					-39.2
Profit for the period					79.6

01 - 06/2015

EUR m

	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	418.6	562.1	7.5	0.0	988.2
Intra-segment revenues	53.9	4.7	3.3	-62.0	0.0
Total revenues	472.6	566.8	10.8	-62.0	988.2
Amortization and depreciation	-82.1	-44.0	-2.9	0.0	-129.0
Segment result (EBIT)	107.4	56.3	1.8	-3.6	161.8
Financial result					-10.8
Earnings before taxes					151.1
Income taxes					-47.6
Profit for the period					103.4

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

Other Information

Related party transactions

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

Seasonality of the business

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

Contingent liabilities

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

Dividends

The General Meeting on April 29, 2016, agreed the payment of a dividend totaling EUR 50.0 million to the shareholders. The payment of the agreed dividends was made in May 2016.

Compulsory statement on the review by an auditor

The interim financial report 2016 was subject to neither a complete audit nor a review by an auditor.

Subsequent Events after the Interim Reporting Period

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

Statement by the Executive Board

As legal representatives of NOVOMATIC AG, we confirm to the best of our knowledge that the consolidated interim financial statements as of June 30, 2016, give a true and fair view of the financial position, financial performance and cash flows of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and that the consolidated management report of June 30, 2016, gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties which the Group faces.

Gumpoldskirchen, August 24, 2016

The Executive Board of NOVOMATIC AG

Mag. Harald Neumann m.p.
Chairman, CEO

Dipl.-Ing. Ryszard Presch m.p.
Deputy Chairman
Chief Operating Officer

Mag. Thomas Graf m.p.
Chief Technology Officer

Mag. Peter Stein m.p.
Chief Financial Officer

Dr. Christian Widhalm m.p.
Chief Investment Officer