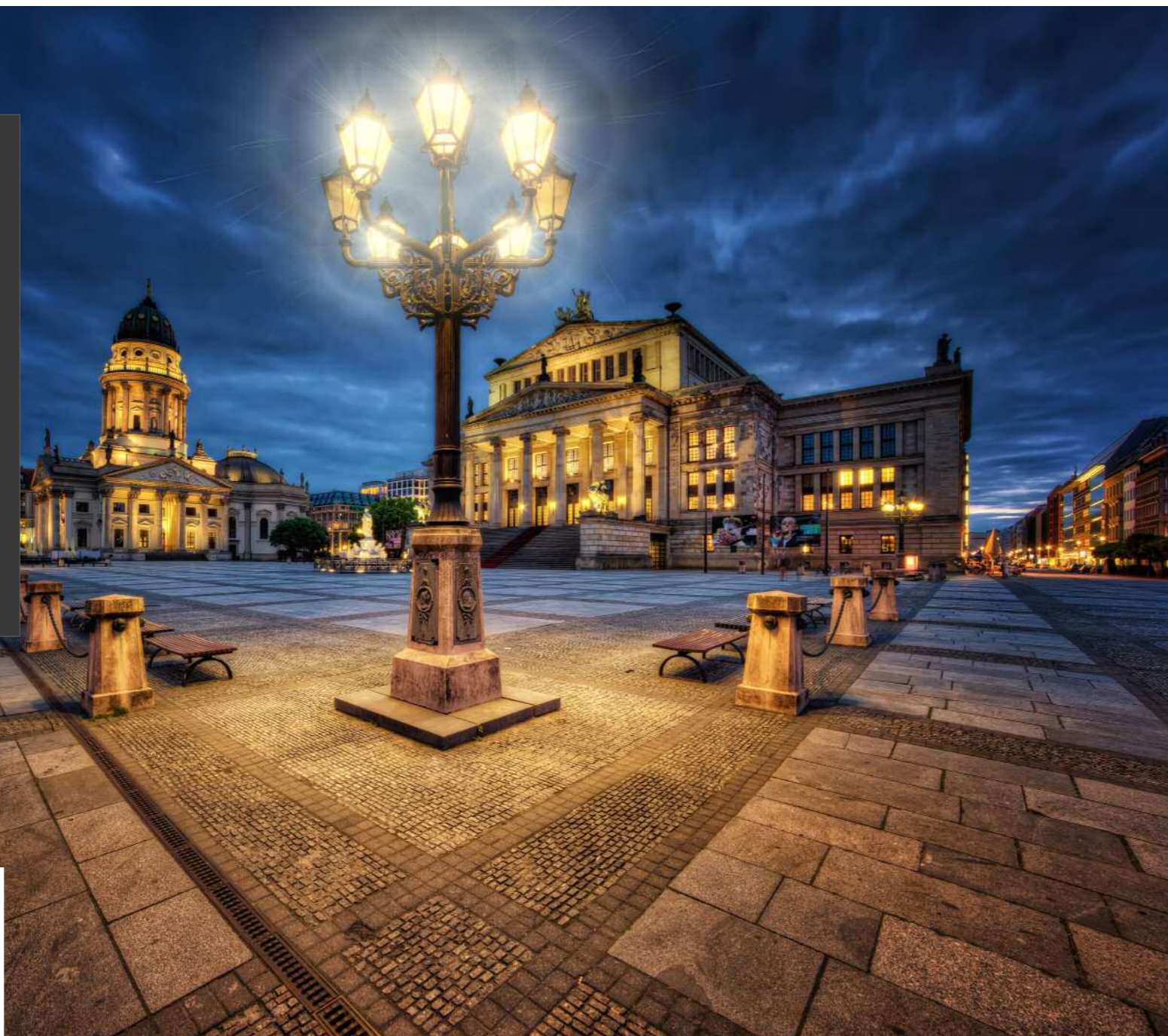


G3-247 Report
GERMANY

German alliance
and defiance

The IMA 2014 exhibition in Dusseldorf brought the German domestic gaming industry together to show a unified front in the face of what some have dubbed 'a Doomsday scenario' for the street gaming sector by 2017.



01 The introduction of the Glücksspielstaatsvertrag (Interstate Gambling Treaty) in July 2012 hailed major changes to the industry. The individual states became responsible for AWP gaming and not the federal government. Multi-concessions (large arcades) are set to be banned from 2017 onwards. Next to no new arcades were permitted in 2013. The market is now longer in growth mode but is consolidating. The industry is fighting the political backlash and it cannot be said at this moment what this outcome will be. State arcade laws have been enacted. Most arcades cannot open 24/7 any more. In Berlin, for example, arcades must close for eight hours during the night.

Having been postponed in 2013, this year's IMA was much awaited. A total of 150 exhibitors from 17 different nations presented their innovations in halls 8a and 8b at the exhibition centre in Düsseldorf, Germany. The IMA took up a total of 20,000 square metres. The IMA took place over four days, between 14th and 17th January.

The focus has spread at this show. Naturally the key products revolved around AWP for the German arcade market. Further segments included sports betting, iGaming, vending, services, IT, consulting and marketing. Even though the title 'vending' is stated within the IMA itself (IMA = International Trade Show for Amusement and Vending Machines, Sports Betting and Sport

Games), none of the major vending manufacturers were present and vending machines were very much in the minority.

As in previous years, the Gauselmann Group dominated one hall and the Löwen Entertainment Group dominated the other. The presence of Bally Wulff was noticeably larger this year. Sports betting was the second most important segment after AWP with an array of companies exhibiting. Cash handling products, seats, components and spare parts played an important role. There was an increased number of companies exhibiting security solutions as more and more German states are forcing arcades to close during the night. Previously arcades were often open 24 hours a day. These

Mr. Kubicki is renowned in Germany for his plain-speaking manner. "Should all McDonald's be banned to fight against obesity?" he asked.

enforced closing times have had an alarming number of break-ins as a knock-on effect.

The IMA itself drew in slightly less people than in 2012. According to Reed Exhibitions, the IMA organiser, there were 9,156 visitors this year over the four days.

AWPs	263,000 (2,000 less than in 2012)
Sports games (billiards, darts, table-football, etc)	18,000
Amusement machines	34,800
Pinballs	2,100
Internet terminals	20,500
Points games/jukeboxes	2,400
Video games	9,800

FACTS AND FIGURES

The German Machine Manufacturers Association (VDI) together with the Institute for Public Research – University of Munich (ifo) have published data on the number of amusement and gaming machines in operation in 2013:

The German gaming and amusement industry is split into three categories – manufacturers, distributors and operators. The combined turnover of the industry was 5.405 billion euros in 2013. The greatest turnover was made by operators at 4.465 billion euros. The manufacturers and distributors achieved a combined turnover of 940 million euros, 10.5% less than in 2012. The industry employs around 70,000 people in Germany.

The introduction of the Glücksspielstaatsvertrag (Interstate Gambling Treaty) in July 2012 hailed major changes to the industry. The individual states became responsible for AWP gaming and not the federal government. Multi-concessions (large arcades) are set to be banned from 2017 onwards. Next to no new arcades were permitted in 2013. The market is now longer in growth mode but is consolidating. The industry is fighting the political backlash and it cannot be said at this moment what this outcome will be. State arcade laws have been enacted. Most arcades cannot open 24/7 any more. In Berlin, for example, arcades must close for eight hours during the night. These closing hours have brought a spate of break-ins and robberies. The number of AWP concessions has been reduced in Hamburg and Berlin (from 12 to 8 in Berlin). Local authorities have the right to impose an amusement tax (Vergnügungssteuer). Only Bavaria does not do this. Amusement tax has increased massively over the past years (3.6 fold what it was in 2006). This tax increased by 19.5% in 2013 to approx. 700 million euros (in 2012 the increase was 28.5%).

THE OPENING CEREMONY

Paul Gauselmann – the founder and chairman of the Gauselmann Group – continues to be the dominant political force in the German AWP industry. Taking one look at how the opening ceremony was organised made that clear. As the chairman of the German Gaming Machine Association (VDI), Gauselmann was the main speaker here. The AWP industry in Germany does not have a good image with the general public and politicians often notoriously side against this industry to gain popular support (especially during election campaigns).

Thus, gaining a top politician as keynote speaker is a very difficult task. This person, Wolfgang Kubicki of the FDP (liberal party) himself stated that some politicians had asked him whether gambling was on a par with prostitution and money laundering. Thus, it takes guts for a German politician to stand up and speak at the IMA.

Mr. Kubicki is renowned in Germany for his plain-speaking manner and was surely not afraid of any potential negative reaction from other politicians. The liberal party is most aligned to be invited to such functions as their attitude reflects most the position of the industry; that adults should be allowed to choose how to spend their time and income and not be forced by the state to channel this away from certain past-times. "Should all MacDonald's be banned to fight against obesity?" was his rhetorical question. He made it clear that there is absolutely no link between banning gaming and reducing gambling addiction. Gambling will just move to other forms, such as online gambling. This complies with the message of Gauselmann from recent IMA's – players will play elsewhere, go online. The state will lose out on billions of euros in taxes and the industry will lose tens of thousands of jobs. Kubicki Kubicki stated that the German state cannot believe it can control gambling in the globalised world we live in. "I can and will not accept this" was his comment. He spoke encouraging words to the audience, stating, "Go to court, be active and fight for your rights! We need a clear and unambiguous regulation at national level".

Mr. Kubicki made three clear statements: Firstly, coherence – the same rules for all gaming segments. Secondly, making these segments legal and approved for use. The third element is transparency on the risk of a gambling addiction and creating a policy to minimise this risk. The general public should decide for themselves how to lead their lives and not be told how to do this by the state.

The industry has certainly come of age and more and more time, energy and money is being focused on the issue of problem gambling. The industry realises that they are offering an entertainment product that bears a risk. This risk needs to be defined, managed and minimised. It was only fitting that Pieter Remmers from Assissa Consultancy Europe was a podium speaker. Remmers is an expert in the field of responsible gaming. He was at pains to explain that there is no simple solution. As a Dutchman, local data is close to his heart. He cited that in the Netherlands there are 40,000 young people classified as addicted to poker. Yet when he wished to analyse this, he could not pin this number down. Clearly more research has to be done. The statement that high stakes gaming creates more problems gamblers than low-stake gaming is just a statement and not a fact. Otherwise, this low-stake and prizes industry would not be facing such radical changes in the near future. Even though the percentage of addicted players in Germany at 2.6 per cent is

INTERVIEW
JURGEN STUHMAYER, MEMBER OF THE BOARD FOR SALES, GAUSELMANN GROUP.

G3: Mr. Stühmeyer, how would you review the German Market and the IMA show in 2014?

JS: I would characterise this year's IMA as one of defiance and unity. Our industry is clearing being placed under the wrong light by many politicians and new legislation is set to decimate our market from 2017 onwards. We can not and will not accept this. Whether manufacturer, distributor or operator, we are all being badly affected. Traditionally these three sectors worked autonomously. Today we have united to speak with one voice. The new industry association 'Die Deutsche Automatenwirtschaft' is this channel. Naturally we at the Gauselmann Group are investing heavily in protecting our rights.

G3: How are your products being adjusted to the coming changes?

JS: We need to differentiate here. We support the changes for the good. For example, the new requirement to further prevent under-18's entering arcades. Gauselmann's access control solutions make it easy to completely comply with the new legal rules on player and youth protection. The 'Merkur Check-In' offers the right answer for every need and games location. Furthermore, this system does not predicate storage of player files so completely complies with our data protection laws here in Germany. Coming back to the proposed negative changes, as discussed, we are vehemently fighting these to protect our rights.

G3: With such an uncertain future ahead, logically speaking, then this is not the time to invest to develop new products and solutions for the future?

JS: On the contrary! The fact that we have shown so many new innovations underlines just how positive we are in these uncertain times. We are confident that our industry will be granted its rights to continue to entertain over ten million people here in Germany. That is how many people visit entertainment centres to play on AWP's. This number has doubled in recent years.

G3: Why is that?

JS: Quite simple: we have invested in the future. Look to our own arcades – the 'Casino – Merkur Spielothek' brand. These resemble casinos in their style. People can enjoy ordinary gaming on AWP's in a very pleasant and friendly atmosphere. Arcades visitors used to be predominantly men. Not any more. The number of women enjoying gaming is on the up and up. That is because we offer gaming with style and rightly call our arcades 'entertainment centres'

G3: What other innovations is Merkur Gaming bringing to the German market?



Jürgen Stühmeyer,
Member of the Board for Sales,
Gauselmann Group.

JS: Where should I start – there were so many! We introduced a brand new gaming machine called the 'Vision Slant Top SL'. This is first and foremost remarkable for its excellent optical qualities. The two twenty-six inch monitors feature outstanding depth of focus thanks to their innovative Merkur Profitech HD technology. The loudspeakers in the upper part of the housing frame also ensure excellent entertainment with their 2.1 stereo sound. This innovative product is rounded off by its optimised hand-rest surfacing and ergonomically improved footrest. A great new invention is the 'Merkur Elevator'. This transports the coins back up to the level as the coin-in. That means for players that all cash in and out takes place at one level. Bending down to collect the coins is now a thing of the past. This is a complete Gauselmann development. The Vision Slant Top SL is also fitted with our Merkur Dispenser 100 as standard.

G3: We heard you had a great celebration for the Merkur Dispenser 100?

JS: Yes, we did indeed, and combined that with a great deed for charity. We proudly presented the 100,000th unit in gold and auctioned this together with the 100,001st for a total of €20,000 (Paul Gauselmann rounded the sum to this amount). It is our founder Paul Gauselmann himself who saw the need for paying back winning in banknotes and this foresight has changed the way cash is

managed in AWP's here in Germany for good.

G3: What other notable new products would you like to focus upon this year?

JS: If I focused on them all, then this will become a very long interview! Let me just add one more great highlight – our 'Merkur Ideal Space Ball'. Players can enjoy uninterrupted gaming within a capsule – the space ball. The surround sound here is so amazing. The HD graphics are placed on a screen that can be moved into position by the player – for optimal comfort. Here we have also integrated our Merkur Elevator and Merkur Dispenser 100. Before we finish, let me just add that we yet again introduced a great number of new games selections. Not only that – our 'My Top Game' feature was applauded from all our customers. The globally unique feature gives users direct access to the Merkur Magie games library with its 200 games – and that as standard. That means regardless which games package is on the Gauselmann AWP, players have access to their favourite game by entering the code to access this. Our subsidiaries had many innovations on display. In addition to this, the number one change machine supplier, GeWeTe, was celebrating twenty years in business. We are all very proud on what we have achieved and are looking with optimism to the future, regardless what the current political situation may be.

below the European average, much more work has to be done to understand and combat this. Gambling addiction is one of many forms of addiction. Remmers stated statistics that 90 per cent of addicted players suffer from one or more forms of other addictions and that 50 per cent of gambling addicts suffer from depression.

There are said to be 190,000 gambling addicts in Germany, 90,000 of which from AWP gaming. Alcohol addiction remains the worst form of addiction in Germany with 1.8 million people addicted and a further 1.6 million people who drink too much. There are said to be 5.6 tobacco addicts in Germany and 500,000 computer game addicts. Kubicki warned not to use these figures – something bad cannot be improved by comparing it to something worse. Gambling addiction should be research upon and controlled in its own right.

The changes made to the Spielverordnung (Gaming Ordinance) in 2006 made it possible to offer much more attractive AWP gaming machines. Novomatic entered the market and changed it for good. German AWP gaming used to be controlled by the state on a federal level. Today it is part of the Glücksspielstaatsvertrag (Interstate Gambling Treaty) and thus falls under state responsibility. An industry that was used to dealing with a set number of politicians in Berlin have seen this increase sixteen fold as there are sixteen German states.

The continued feud between the German casino and AWP industry must be commented as a detriment to the industry in general. Instead of focusing on player choice, these two industry segments define themselves as being very different and focus on their own benefits and make the risks of the other segment all too clear. Nevertheless, the new laws wish to ban multi-concession arcades. Such arcades have shot up like mushrooms around Germany in the past years. A ban on these could decimate the industry, with a predicted fall in numbers of AWP's in Germany of up to 80 per cent. This doomsday scenario is set to commence in 2017.

The industry is standing strong together against this very real threat. Thus, Prof. Dr. Bernd Hartmann, Professor for Public Law, Business Law and Administrative Sciences, University

In his address to the IMA audience, Mr. Kubicki urged the audience to fight for their rights and stated that the German state is losing out on tax income from sports betting alone between 1 and 2 billion euros per annum due to the lack of regulation. "I do not gamble and I do not smoke. Yet if the state forbids these, then I will start to do both," was his concluding comment.

Arcades have blossomed in the past years, but a ban could decimate the industry, with a predicted fall in numbers of AWP's of up to 80 per cent. This doomsday scenario is set to commence in 2017.

Osnaabrück, was the speaker on these legal issues. Prof. Hartmann shed some light on the legal aspects: "You need a good reason to interfere with legislation. In this case, the reason is fighting gaming addiction". However, due to the federalist reform all German states adopted their own legislation for gaming arcades, which increased confusion even further. "The vagaries of federalism have not brought about more clarity," said Hartmann and added "furthermore, the German State Treaty on Games of Chance does not comply with the European concept of coherence". Coherence was his main focus – that there cannot be one rule for one (AWP segment) and a rule for another (e.g. casino segment).

The growth in popularity of the German AWP sector was underlined. Gauselmann stated that ten million Germans now enjoy this form of gaming (a figure that has doubled in the past eight years). Kubicki himself noted that 'playing' is a basic human need. Gauselmann fears that the big players will suffer the most from the oncoming legislation. The large multi-concessions indeed often belong to the major companies in the industry. Kubicki's message was that the range of gambling available has to be controlled and not banned. Mr. Gauselmann put the amount of taxes the industry pays into perspective. The German casino industry has a turnover of approx. 500 million euros whereas the German AWP pays six times this amount in taxes alone to the state. His focus was on how the industry has grown despite a reduction on income per player.

Before the Gaming Ordinance change in 2006, average spend per machine was 22.50 euros. Today the average is 11 euros. Previously AWP's were forced to be slow (play time per game of 12 seconds). Players thus often played on more than one AWP at one time. The average was 2.6 machines per player. Today this average has dropped to 1.4 per player. Thus, the average player spend has fallen from 58.50 euros to 15.4 euros. The multi-concession arcades often truly earn the title 'entertainment centre'. Many more women play on AWP's in Germany today. Thus, the increase of playing people from approx. 5 million to 10 million has had a strong effect on industry turnover. Gauselmann described German AWP gaming as 'exciting and inexpensive'. Kubicki urged the audience to fight for their rights and stated that the German state is losing out on tax income from sports betting alone between 1 and 2 billion euros per annum due to the lack of regula-

tion. "I do not gamble and I do not smoke. Yet if the state forbids these, then I will start to do both", was his concluding comment.

A CONGLOMERATION OF ASSOCIATIONS

This challenge of 'speaking with one voice' with German politics is being attended to. The German AWP industry has a wide number of industry associations. The manufacturers are represented by the VDAI (German Industry Association for Coin-operated Amusement and Vending Machines). The distributors have their own association – the DAGV (German Association of Coin-op Machine Distributors). And naturally the operators have their own association as well – the BA (Federal Association of Coin-op Machine Operators). The BA has a regional office in each of the sixteen states. Then there is the FORUM (for Coin-op Machine Operators in Europe). All these associations are supported by the AWI (Public Relation Organisation for the Coin-op Industry). Last year a new association was brought to life to represent all the separate associations on a federal basis – the 'Deutsche Automatenwirtschaft' (the German Coin-op Machine Economy). This association is reaching out to the German public directly and has placed several adverts in national newspapers, for example, to displace untruths about the industry. Examples of such adverts highlight that it is not allowed to drink alcohol in arcades, only people 18 and older may enter arcades and that all AWP's are tested and approved by the state. The focus is that there are 'no games without rules'.

THE BIG THREE: BALLY WULFF, GAUSELMANN GROUP AND LÖWEN

BALLY WULFF

Two things struck the eye immediately on the Bally Wulff stand – the new logo and the stand theme. The new logo incorporates the crown from the parent company Schmidt Group. (The words 'Ein Unternehmen der Schmidt Gruppe' – a company of the Schmidt Group – make up part of the logo as well). Bally Wulff is from Berlin and the stand theme revolved around Berlin. The Berlin wall was portrayed, the Alexander Square TV tower, a Berlin underground train, the green eastern Berlin traffic lights and more gave this stand a distinctive atmosphere.

Bally Wulff has made a comeback in recent years in the German AWP market with its focus on connected jackpots. 'Magic Cashpot' and 'Secret Island' have been very successful in the past years. The new 'Red Hot Firepot' is now available connected to two AWP's (not only connected to four AWP's as has been standard). Players have to consciously play into the jackpot by placing a side-bet to participate – usually of 10 cents per game. Depending on this side-bet, the jackpot is triggered at different levels. Players who invest more, can win more during the jackpot feature. Bally Wulff offers three risk ladders – 'Classic' (winning up to 15,000 points), 'Fun' (winning up to 6,000 points) and 'Extreme' (winning up to 32,000 points) depending on player type.

INTERVIEW: ARNE SCHMIDT, MANAGING DIRECTOR, AND ROBERT HESS, HEAD OF COMMUNICATIONS, SCHMIDT GROUP.

G3: Mr Schmidt, we can see that you feel at home in this industry

AS: I have been brought up in the industry. My father founded the Schmidt Group. We have always looked to new developing innovations and that thirst for bringing something better, more exciting solutions to market, remains with us and characterises what we do.

G3: What is your opinion of the IMA?

AS: The IMA is the best we have in the industry. All exhibitors have been looking forward to the show. There are many new things to see and naturally it is a pleasure to greet our customers here. You could say the IMA is split into two sections: the daily part for business and the evenings for networking and socialising. Both are just as important as each other.

RH: Thank goodness we have the IMA again. Our customers are positive despite the uncertain political situation. The feeling comes through that this industry has a future from 2017 onwards. Customers want to know what is new here. They believe in future business potentials. I personally have been in this industry for 18 years now and I can say that the professionalism of our customers is as strong as ever. Many industry participants are active on behalf of the industry in associations. There are more and more seminars on offer on the subject of responsible gambling. Five years ago I could not have imagined that being the case in the industry.

G3: Why does the industry then suffer from such a poor public image?

AS: Too many politicians treat our industry like they did twenty years ago. Many do not see the vast changes our industry has gone through. We are a professional industry, providing a form of entertainment, indeed with an element of risk, yet we acknowledge that and provide a network of support.

RH: You can also see it this way: Journalists do not have much time. When they are supposed to report on our industry, they check internet search engines and are mostly confronted with negative news. They use this as their basis and are no longer impartial.

G3: There seems to be an 'us and them' attitude between the industry and politicians?

AS: Yes, and this needs to stop. It has been all too easy to criticise politicians who have spoken against us. We need to approach these politicians and understand why they are making such statements. We need to reach out to them and look for communal dialogue. Furthermore, we have far too



Arne Schmidt, Managing Director, Schmidt Group

many associations. We need to speak with one voice.

RH: Exactly. The newly formed 'Deutsche Automatenwirtschaft' is the first step in this direction. Furthermore, we need to accept that AWP gaming rightly belongs to the Interstate Gambling Treaty. We are a form of gambling and need to have dialogue with the other segments within gambling to see where we have commonalities.

AS: My approach is not to look at the status quo and take our judgements from there. We need to look at gambling in its entirety, asking questions such as 'how does it take place?', 'where does the demand come from?', 'what forms of gambling do people want, for example, land-based or mobile or online or a combination of these? What size of bets do people want to place? Only when we understand the demand for gambling, then we can provide the right supply for gambling in place.

G3: The German gambling industry is rather fragmented, though.

AS: That is where we need to change as well. We must reach out to the other forms of gambling and look for interaction between us. Once we have answered the question, 'what are the ideal forms of gambling?' can we then create the ideal portfolio. This naturally includes player protection, in other words responsible gaming. We must ask the same questions, 'what are the ideal forms of responsible gaming?' This then will make it most effective and simplest to control.

G3: So the goal is to define the vision of gambling and then create the portfolio around it?

RH: The global gambling market is changing quickly. To stand still here in Germany would not be coherent to this.

AS: We would then have no goals, no corporate direction. Our industry is not just about AWP's. We



Robert Hess, Head of Communications

have to all get this into our heads. It is about legal gambling or how we can create the best offers to make illegal gambling as unattractive as possible.

RH: Lotto, casinos and sports betting are all different segments and are treated differently. We need to change this. A problem gambler is a problem gambler regardless where he or she plays too much. All gambling providers need to sit together at the table and find a common solution to combat gambling addiction.

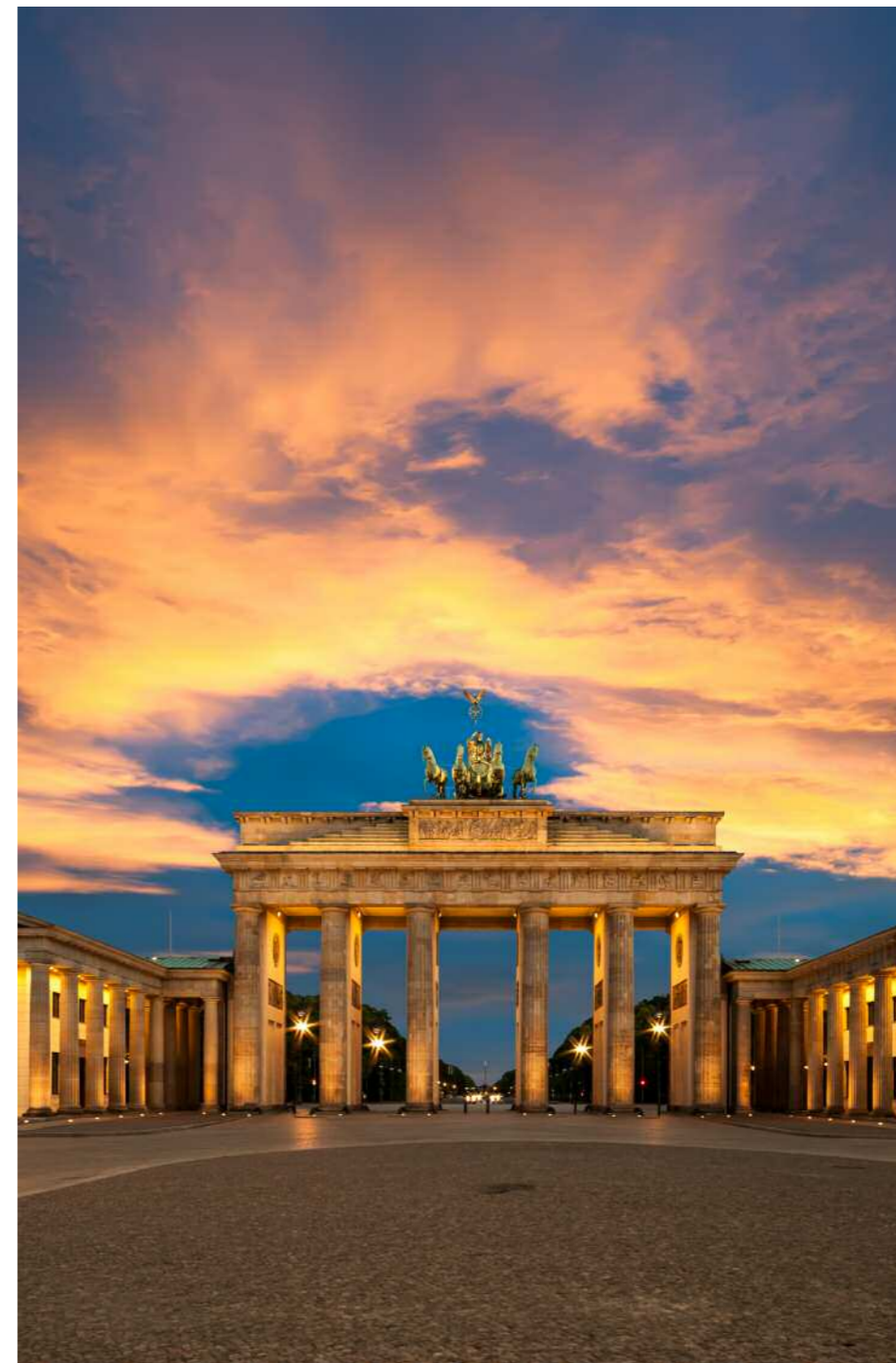
G3: Players can now ban themselves at arcades and not only at casinos. Isn't this a step in the right direction?

AS: Only to a point. A player who bans him or herself is then banned for life. That is a big step to take. This player can only rescind the ban with a medical certificate that confirms that all pathological problems have been solved. A doctor will think twice before attesting to that. Thus, we believe that the majority of players who believe they may be affected will not make use of the ban. It needs to be altered to a temporary ban – for the player to see how he/she is affected. That would make it more player-friendly and affective and problem gamblers would be more willing to make that first essential step to self-help.

RH: At present the bans are implemented in different ways. Sometimes they are only for a specific arcade, sometimes for all arcades in a state. They need to be used on a federal scale. It does not help to be banned from one arcade to then be able to walk into the other next door.

AS: The young generation has to accept its responsibility and make these changes for the better. I for my part am leading by example. The path ahead lies in mutual respect, taking concerns seriously and finding joint solutions.

RH: You cannot stick your head in the sand when it is already under water. Now is the time for change.



The 'Action Star 5' has seen its games selection grow from 50 to 60 games. This is available with all three risk ladders. The new 'Ramses Book' game was stated to be a highlight in the books feature games – looking for a lost book in ancient Egypt. 'Action Star King – XXL' now also has 60 games to choose from. Here players choose between the Classic and Fun risk ladders. Bally Wulff offers a new game here called 'Fruits Royal vs. Magic Book' – thus fruit-based game moves on to the search for the book once the scatter symbol is shown.

Bally Wulff has grown strongly particularly in the gastro market and the 'Gastro Star' offers 20 games with a further game being activated every two months to then reach 25 games by the end of the year. As a gastro AWP, the risk ladders revolve around Fun or Classic. Games such as 'Mistress of Magic' or 'Super Duper Cherry' have been added. The requirement for banknote recyclers in gastro AWP's is seen as a must nowadays and Bally Wulff fits the UBA-10-RC as standard. A further games

selection is called 'Tropical II' that consists of 10 new games to make up a total of 20 games (including the popular 'Burn the Sevens'.

The AWP networking system of Bally Wulff is very popular in Germany and the company introduced the updated version at the IMA – the BALLYWULFFnet.pro. This systems technology can also make use of WLAN technology so that operators no longer need to connect each AWP individually in their arcades. Information on coin entry, cashbox takings, hopper levels are much more can simply be viewed and managed. If any amount is believed to be missing, the operator can receive an email or text message immediately so to control whether this refers to a possible machine manipulation.

This networking programme consists of four levels – BWNfinance, BWNservice, BMNentertain and BWNgate. The 'What's happening right now' module enables operators to see in real time which AWP's are being played upon.

01 The Gauselmann Group Chairman, Paul Gauselmann, put the amount of taxes the industry pays into perspective. The German casino industry has a turnover of approx. 500 million euros whereas the German AWP pays six times this amount in taxes alone to the state. His focus was on how the industry has grown despite a reduction in income per player.

The Bally Net Gate is the company's solution to access control requirements. Player data can be stored on a chip so that the player does not need to register each time he or she enters the arcade and secondly, to enable this access control process to be automated. The barrier control even has integrated technology to ensure that only one person at a time can go through.

THE GAUSELMANN GROUP

The Vision Slant Top 'SL' was premiered at the IMA. The HD technology really stands out here thanks to their innovative Merkur Profitech HD technology. Both the hand-rest and footrest have been improved compared to the earlier version. The focus on player comfort has been made clear from another angle as well – the fact that money entry and pay-out are now on the same level. Players no longer need to bend down to collect their winnings. The Merkur Elevator carries coins back up within the AWP. The banknotes are paid out from the Merkur Dispenser 100.

A further new innovation presented on the Gauselmann stand was the Merkur Ideal Space. The AWP is built within a round shell so that players can play totally uninterrupted by their surroundings. The in-built speakers within the shell make the sound experience something special. Again the latest HD technology and money-handling products are fitted for increased player comfort.

The Hybrid De Luxe offers a further feature on Gauselmann AWP's – a mechanical reel is included below the lower video monitor. There are eight reel games to choose from. The lower screen becomes invisible so these reel-based games can be played. Nevertheless, Gauselmann has made use of the monitor to add features to these games. The games make use between three and five reels. When players prefer to play video-based games, then the lower monitor comes back to life and the reels disappear from view.

Gauselmann recognises that particularly in the gastronomy segment that operators wish to have the right to purchase AWP's. This has been made possible. The Merkur Multi Multi has three games packages included, each comprising of twenty games. The operator can choose to offer his customer either the 'Merkur Multi Jewel', 'Merkur

INTERVIEW
UTA ROSEANO – HEAD OF CORPORATE COMMUNICATIONS AND CSR – LÖWEN ENTERTAINMENT

G3: What does CSR stand for?

UR: This stands for Corporate Social Responsibility and refers to our corporate responsibility within the LÖWEN Group. We have our own social campaign called Spiel-Bewusst (be aware of your gaming). The website www.spiel-bewusst.de has been created to help and enlighten players.

G3: In what way?

UR: First of all I would like to say that this is a very detailed website. We explain that an arcade is a place to have fun but to be aware of the risks of playing on AWP's. That's what we mean with the slogan 'be aware of your game'. Furthermore, we point out what gaming addiction is, how it comes about and the consequences of it. We give readers the facts on how many people are affected and offer a self-check test. It explains to people affected where they can look if they are seeking help. This website has been created to inform and support players.



Uta Roseano – Head of Corporate Communications and CSR – Löwen Entertainment

The goal is to give open and transparent information of the risks of a pathological gambling addiction. We bear our responsibility by providing players information, clarification and ways of prevention.

G3: Did Löwen create the content by itself?

UR: No, we have worked together with psychologists and experts in the field of addiction. The goal is to give open and transparent information of the risks of a pathological gambling addiction. We bear our responsibility by providing players information, clarification and ways of prevention. The website is an important part of our product and corporate responsibility. In addition posters and control panels are placed in all our arcades to allude to the campaign.

G3: Do you inform players at the AWP's themselves?

UR: Yes, we do. The law states that an AWP must have a cooling down period after each hour.

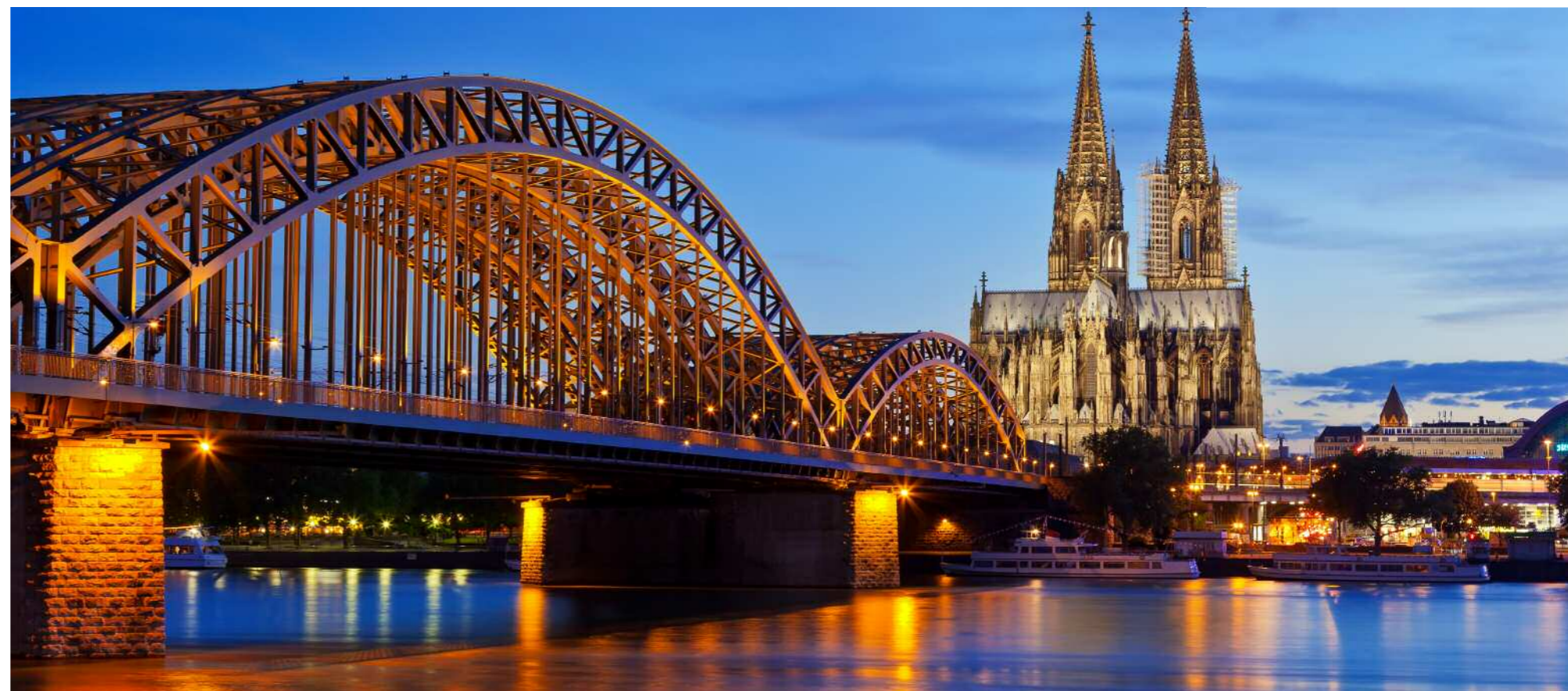
During this break, we show the logo of [spielbewusst](http://www.spiel-bewusst.de) on the gaming screen. We believe this is an important contribution to remind players of the potential risks of their gaming behaviour.

G3: In what way has the industry changed towards responsible gaming?

UR: We are working hard to communicate the joys and the risks of the products we offer. The vast majority of people enjoy spending time playing on AWP's. We know there is a minority who may become addicted to gaming. This minority has been in the focus of politics and so the public eye for too long. We are placing more emphasis on communications to put the correct relation back in place between gaming fun and gaming problems. We are taking this task extremely seriously. One addicted player is one too many even if millions of people enjoy playing on AWP's.

G3: Are there any other ways you are informing the market of these risks?

UR: We developed a programme to train all our staff in our arcades. This has created a standardised knowledge level for our staff to know how they can support customers. This E-Learning programme has proven to be so popular and successful that we have decided to offer this to all operators. This will be available from the second quarter of this year onwards. The training course takes about two hours to complete.



Multi Gastro' and 'Merkur Multi Super Multi VI'

Gauselmann introduced several new games packages, including the Merkur Magie HD and Merkur Magie HD De Luxe with 30 and 60 games respectively. With so many game to choose from, Gauselmann has nevertheless devised a concept for players to find their favourite game. Players can make use of the My Top Game feature to find the associated code for this game. The player can then enter this code on the Gauselmann game and the game appears – even if it is not included within the games library on show. This has been stated to be a true entertainment factor that enthruses players.

When operators wish to change the games package (that is not within the AWP and so not approved by the PTB), this has to be approved by the PTB and the PTB issues a new licence number. Exchanging the sign with the approvals details is time-consuming and so Gauselmann has now developed an electronic display. The approvals number is then automatically updated when the new games package is plugged into the machine. Construction type and permit number can be displayed on digital e-paper at a click.

MEGA is the Gauselmann subsidiary that has made a name for itself with jackpots. The new 'Seven' jackpot is completely new in that it offers seven jackpot levels. During the jackpot

feature, hammers come out and breaks a stone covering the obelisk. A two-player position jackpot is also available – the 'El Dorado'. The El Dorado is oriented to the mystic Maya age.

Gauselmann solutions for access control into arcades was also on display. The 'Merkur Check-In' offers a choice of four modular packages that can be individually expanded. In addition to the direct OASIS® blocking data check the system also features the option of maintaining local blocking data and easy handling of all blocking documentation management.

GeweTe – the change machine manufacturer within the Gauselmann Group for the AWP industry – was celebrating twenty years in business. In particular, GeWeTe presented an anniversary version of the 'Maxi Cash Recycler' – the complete changer solution for operators. GeWeTe had a great range of change machines on display.

The service side of the Gauselmann company is also large. It includes the 'Merkur Infotainment' – the arcade solution for players to receive information on individual games, place orders for snacks and now watch Sky TV. Merkur offers a 42" TV screen with the Sky package. Gauselmann introduced the 'Merkur Event Campaigns' – operators can book certain events (e.g. alcohol-free cocktails, ice creams, crepes or pasta amongst others) and Gauselmann brings all what is required straight to the arcade, including the personnel to serve these. Further support from the Gauselmann

Group for operators includes the 'MERKUR NET' systems technology which allows operators access to varying levels of information to the AWP's. Operators can set the levels of access required (e.g. for managers, technicians, service personnel). The 'Little Helper' app gives users a quick overview on several important themes. The

German ex-professional boxer Axel Schulz personally auctioned two Merkur Dispenser units at IMA. A total of 20,000 euros was raised for charity.

spare parts business for operators is summed up in the catalogue that has over 400 pages of products.

Merkur Infotainment also includes information on responsible gaming. This is of utmost importance to the Gauselmann Group. Katrin Koch heads up this department and welcomed a new colleague at the IMA – David Schabel.

Last but not least – the Merkur Dispenser 100 – the banknote recycler from the Gauselmann Group that was the brainchild of Paul Gauselmann himself received special focus. The company was celebrating having manufactured over 100,000 units. The 100,000th and 100,001st units were auctioned for charity during the Gauselmann

party. The prominent guest – the German ex-professional boxer Axel Schulz personally auctioned the two units. A total of 20,000 euros were raised for charity.

LÖWEN ENTERTAINMENT
Novomatic has amalgamated all its companies in Germany under one single brand – Löwen Entertainment. Under the exhibition slogan 'we make a fair game', LÖWEN ENTERTAINMENT is now the group company that unites Löwen Entertainment, Crown Technologies and Hirscher Moneysystems. This also includes the operations companies EXTRA Games, BPA and Admiral Play. The arcades will all be renamed to represent just one brand for players – namely ADMIRAL Spielhalle. The company group operates about 300 arcades and they are all being rebranded on a rolling programme which began in the late summer of 2013. A total of 2,900 people work for the group of companies in Germany.

"We are pleased to have been able to demonstrate our level of performance at Admiral Play and that this level has been confirmed by the certification from TÜV Rheinland," commented Boris Kuzenko, Managing Director of Admiral Play GmbH. "The certification of our newest subsidiary company means that we have a uniform quality standard across the entire LÖWEN Group with which we are complying voluntarily. This means that we are in the best possible position to face our future challenges", added Christian Arras, CEO of LÖWEN ENTERTAINMENT.

INTERVIEW

DR. DAMIR BÖHM – ATTORNEY FOR THE GERMAN SPORTS BETTING INDUSTRY

Dr. Damir Böhm is the legal adviser to the 'Fachverband Spielhallen' – FSH (The Association for Arcades). This association was founded by the chairmen of the 'Bundesverband Automatenunternehmer' (BA) – which works at state level supporting arcade operators. The FSH is the 'new strong voice' of operators for the whole of Germany and supports the BA in specific arcade-relevant themes. Dr. Böhm studied law at the University of Bielefeld and achieved his doctorate in 2012.

G3: How long have you been advising the German sports betting industry?

DB: I have been active here for six years now

G3: Please help us shed light on the current legal situation for sports betting here.

DB: Back in 2011 the European Commission decided that a state monopoly for sports betting is contrary to EU law. The German state had tried to justify this by the channelling of focus on responsible gaming. This was not accepted by the EU. Thus, the market had to be liberalised. The concession process began in 2012 and is still in process. From a total of 41 applicants, this will be reduced to 20. However, a year has passed by and nothing effective has happened. We believe that state requirements are just too high. The state of Hessen is responsible for this. Five separate concepts have been put together with over one hundred individual requirements. These include the economic feasibility, stationary and online, payment and social concepts.

G3: How many companies have fulfilled the state requirements?

DB: The state of Hessen stated in January of this year that none have fulfilled these. Each company is to receive an explanation from the state with the stated required changes. The companies will be given a set amount of time to make these changes – until 15.03.2014. Then by the middle of the year we expect the state then to reply again.

G3: What could happen then?

DB: We expect companies that will see their bid rejected take up legal proceedings. If this happens, this will take up time. In effect, this could mean that we see no changes made up until 2015.

G3: But the state is missing out on significant tax revenue?

DB: This is true. The sports betting market is not defined at present. There are many companies in Germany offering sports betting with about 10,000 sports betting terminals in operation. The



Dr. Damir Böhm – attorney for the German sports betting industry

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sports betting market has a total turnover of between €4-5bn. The tax rate is set at five per cent.

G3: What recommendations would you make?

DB: In a liberalised market, why should the state set the amount of companies that can operate sports betting? That is contrary to the notion of the free market. It seems that the state wishes to raise the requirements so high that only a small number of companies if any at all could adhere to these. We recommend the state set the requirements at a fixed level and that all companies who have reached these can then operate in this business segment. The focus should be on the requirements for sports betting to work in a legal market and not on how to reduce the market size of contenders for a concession by constantly changing the goalpost.



The number of different AWP on display warranted such a large Stand: Novo Gaminator Premium, Novo Giga Star Premium, King Admiral Crown Premium Vip, Royal Admiral Crown Premium, Crown Gold II, Crown Power Play II, Impera, JVH Super Magic Octava, Novo Giga Star, Novo Superstar II, Löwen Star Blue Line, Admiral Crown Slant II, JVH Super and Magic Supreme.

The Novo Gaminator Premium was new to the IMA with a mix of 31 games and is available in two cabinet options (the Novo Gaminator Premium Genesis and the Novo Gaminator Premium 24"). The Novo Giga Star Premium was also premiered at the IMA and is also fitted with 31 games. Löwen has updated its games presentation so that not too many games are shown on the screen at one time. The games are placed now in categories.

The united Löwen stand housed all subsidiaries. This included Crown Technologies. Crown has introduced theme games and is the only company to offer Elvis and Marilyn

games. There are five games dedicated to each character. The JVH products now belong to the Löwen Group and particular focus was placed on the Super Magic Octava with four brand new games in a total of twenty games for the pubs and restaurants (gastronomy) sector. Impera stands out with its large 40" gaming screen and is marketing through Crown.

Sports betting is covered by Admiral and a large part of the stand was dedicated to this. Electronic darts machines are still on offer and were also on display. Change machines come from Hirscher and the focus was placed on the new SC Gastro change machine, especially for the gastronomy sector. This is fitted with a banknote recycler.

Players can currently walk in and out of arcades freely. This is to become something of the past. Players should have the right to ban themselves and this needs to be controlled. The first state to demand ID controls will be Hesse – from April onwards. Löwen presented their Clever Entry solution – individual access and permission solution with user-friendly software. As the required

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integrated interface with the OASIS player blacklist in the state of Hesse or with a local player blacklist such as in Rhineland Palatinate, Saxony Anhalt and the city states, the process of access control or of checking the player against the blacklist can take place swiftly and simply for both the player and the service provider. In addition, blacklist applications can be processed easily using the software. Clever Entry provides a document scanner which is tailor-made for the sophisticated software and is capable of optically scanning identity documents whilst at the same time recognising RFID cards.

FURTHER AWP MANUFACTURERS

Austrian AWP are popular in Germany and thus AMATIC Industries and APEX gaming both had stands at the ICE. PSM Tech is a German manufacturer from south Germany. This Schmidt family is a well known AWP operator turned manufacturer. Their 'Maximus' and 'Galaxy' machines were on display.

AMATIC INDUSTRIES

The Austrian AMATIC team introduced the 'MultiLine GrandX Pro' games series. Customers now have a range of 60 different games to choose from. In addition, the third screen is often brought to life within the game itself when activating the GrandX feature. The Grand Arc Triple includes all the latest components, including the iPro JCM banknote recycler. This is the German version of the Performer Grand Arc. The curved design of this AWP is something quite different to standard cabinet design. AMATIC Industries has a sales and development team based in Dresden.

APEX gaming

A further Austrian company with German sub-

sidiary was present at the IMA – namely APEX gaming. This Munich-based company introduced six new games selections to the IMA: 'Super Magic 30', 'APEX magic Mysteries', 'APEX Magic Ultimate', 'APEX Magic Reels', 'Hot Magic Fruits Deluxe' and 'Multi Magic Classic Deluxe'. Each games selection has ten new games alongside twenty established games. The Pinnacle and Pinnacle SL cabinets can be fitted with a banknote recycler (which is becoming the standard in this market). Management at APEX explained that a new wall-mounted AWP will be premiered shortly to the German AWP market.

CASH HANDLING

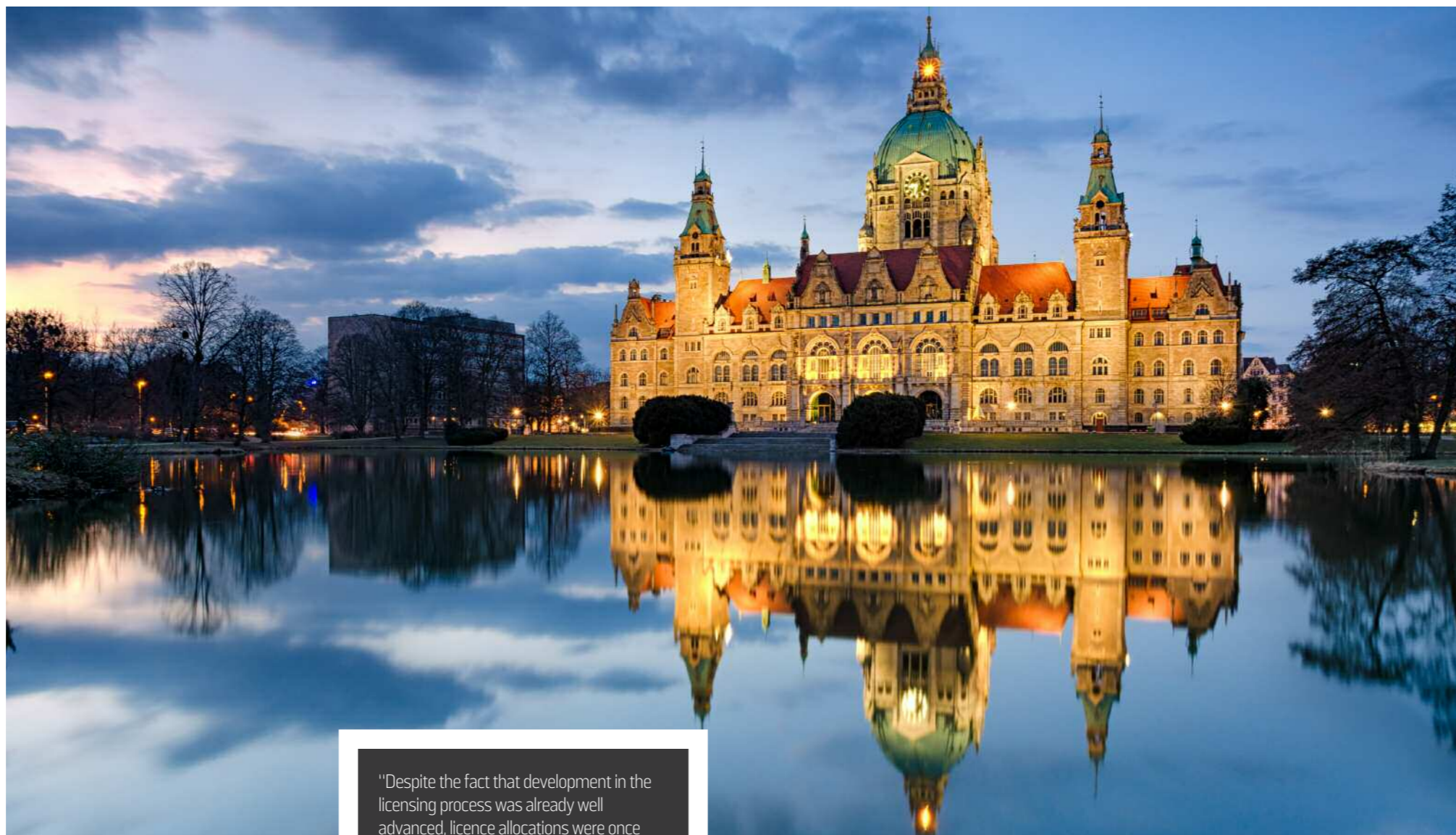
German AWP's can only be played on with cash. Thus, cash-handling products play a key role. Suzo-Happ exhibited, showing a wide range of cash-handling products. These included the newly acquired Bill-to-Bill banknote recycler. Suzo-Happ is furthermore very strong in the field of hoppers.

JCM is the major player for banknote recycling in this market with tens of thousands of the UBA RC or iPro RC already integrated into AWP's.

A new company name was introduced – CPI (Crane Payment Innovations) – the fusion of Crane and MEI. The new banknote recycler – the SCR – that has been developed by MEI was the highlight for banknote recycling. It has many security features and can recycle two different denominations (sixty notes each). CPI placed strong emphasis on SCR demonstrations, offering people the chance to win an iPad Mini if taking part. These were won by Katja Ramsberg of Gauselmann and a member of staff from Bally Wulff. Clearly this event has strong feedback.

JCM is the major player for banknote recycling in this market with tens of thousands of the UBA RC or iPro RC already integrated into AWP's. Innovative Technology (the German subsidiary is called Automaten Transactions) is successful with its Smart Payout banknote recycler in the German AWP market. The banknote reader EBA 30 series became the standard in this market several years ago and JCM introduced the EBA 40 series at the IMA. It uses the same cashbox so updating is then made simpler and more cost effective. It is stated as being of higher security with greater dust and water resistance. Furthermore, its banknote readers are fitted in many sports betting terminals.

wh Münzprüfer was showing its new 7 series – the EMO 900.13 V7 and the EMP 88.00 v7 electronic coin validators. These are a complete new design, incorporating new sensors. Nuances have been built in – for example, the EMP 800 front plate reject button no longer juts out – players sometimes hot against the button, so this prevents that happening in future. wh Münzprüfer is also a



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Helmut Schneller,
Managing Director,
ADMIRAL Sportwetten GmbH.

major supplier of hoppers to the German AWP industry together with its HZW 100 scale (to register the amount of coins in the hopper).

Innovative Technology looked back on its most successful year ever in 2013 and stated that 2014 looks to be even more promising. The Smart Payout banknote recycler is fitted in Löwen AWP's and Bally Wulff fits the NV9 banknote reader. The NV200 and NV9 banknote readers are fitted in many sports betting terminals. Coming back to the Smart Payout, it is its stated flexibility that gives it its true advantage – of being to recycler up to 80 banknotes of any denomination. Thus, any note that is entered can be paid back out. Currency updates are simple to carry with an SD card. Customers who fit an NV200 can upgrade to a Smart payout making use of their NV200.

ICT had a wide range of banknote acceptors on display. The XBA bill acceptor was launched at the IMA. Its immunity to strong ambient light, very high accept rates and advanced optical / mechanical anti-fishing structure are said to be

the main benefits. The built-in USB port allows convenient firmware upgrades via USB flash drive.

SEATING

The upgrading and introduction of arcades as 'entertainment centres' led to an increase in

demand for higher quality products for players. Since the industry cannot invest in new arcades, it can invest in upgrading them as deemed required. This includes seating. Here Patir is very strong in the market with a wide range of quality seats. The latest addition is the Cobra VIP seat in which play buttons can be integrated. This reflects the new trend towards VIP seats so that players can enjoy playing more comfortably. Furthermore, arcades often have ample space to accommodate larger chairs. There were several other seating exhibitors, noticeable Amani. This up-and-coming company offers scratch and resistant-free chairs with a five year guarantee.

SPORTS BETTING

Sports betting remains to be regulated (see interview with Dr. Böhm). It is expected that such regulations will not come into force until the earliest 2015. The sports betting presence at the IMA was strong, including Admiral, Cashpoint, Tipico, Happy Bet and Evona.

Admiral has made the following statement on the market situation:

The industry has changed completely over the past years. Arcades are 'entertainment centres' and the number of Germans who like to play on AWP's has doubled.

Despite the fact that development in the licensing process was already well advanced, licence allocations were once again postponed by politics at the end of 2013. A decision which surprised and disappointed the management of ADMIRAL Sportwetten GmbH, especially since it had already successfully completed the second stage of the concession process in March of last year. „Nevertheless, as ADMIRAL Sportwetten and as a part of the Novomatic Group, we stick by our philosophy and will only be active in markets which are clearly regulated by law," says Helmut Schneller, managing director of ADMIRAL Sportwetten GmbH.

CASHPOINT introduced the new betting terminal 'Mercur Bet Book.' 'Mercur Bet Book' looks like an opened book – all corresponding sports betting content is easy to read and clearly shown on two vertically installed 27" monitors. Furthermore, it has been devised to be simple to use and offers great betting comfort and security: The 'Bet Book' is also available in a solo version.

Happy Bet has been active in the German sports betting market for over ten years with over 1,500 POS terminals in operation. Happy Bet also offers a complete sports betting concept as a franchise system. Happy Bet works under the brand Happy Affiliates, offering a wide online portfolio: Happybet.com, Happybet.de and Platincasino.com. On the online gaming side, this company works together with Merkur Gaming.

The Slovakian Evona is active in sports betting, is a betting office provider, betting software developer, and also manufacture of betting terminals for sports, live sports, dog and horse races, bingo and lotto. Evona offers complete support for operators and also betting software solutions. Evona has Sport betting activities in Europe, Asia, Africa and America as well Evona offers sports betting terminals. Furthermore, another model is the betting tablet or version for the cashier. The advantage for customers is that company Evona can deliver to customer 'All in one' – machine, software, sport events, odds and results.

CONCLUSION

The IMA continues to be dominated by Gauselmann and Löwen. Bally Wulff is enjoying success with its focus on AWP's together with jackpot systems. Austrian manufacturers AMATIC Industries and APEX gaming are both well established. The move to banknote recycling in AWP's has seen more and more innovations being brought to the market here. Although the IMA is also marketed as a vending show, apart from a vending machine in the guise of a 'Gaminator' from the Austrian company Grapos, vending is negligible. This is well and truly an exhibition for the German AWP market. With sports betting set to be legalised, this sector should continue to grow.

Despite all the uncertainties ahead, it can be concluded that the German AWP industry is uniting to counteract the preconceived points of view too many decision makers have in the political landscape. This industry employs 70,000 people. There are more than 6,000 companies active in this industry. From a total turnover of approx. 5.55 billion euros, approx. 1.60 billion euros are paid in taxes. The industry has changed completely over the past years. Arcades are rightly called 'entertainment centres' and the number of Germans who like to play on AWP's has doubled from five million to ten million. This includes many more women who enjoy playing on AWP's. The average cost per play per hour has fallen as well as the average number of machines being played on at one time. These facts are being brought over to the public and politicians more and more. There is hope that disaster will not strike in 2017.