

Europe's Leading Gaming Group turns 50!

Gauselmann Group: Innovation and Technology Leader Celebrates Proud Anniversary

Espelkamp/Lübbecke – When young Paul Gauselmann started installing machines as a self-employed sideline in June 1957, probably nobody including himself would have thought that 50 years later the one-man show would have developed into today's global player – the Gauselmann Group – owing to Westphalian characteristics such as hard work, courage, persistence, entrepreneurial far-sightedness, an eye for the essential, and the grain of luck necessary for everything. Just in time for the anniversary year the group succeeded in generating consolidated revenues of EUR 1.007 billion thus “cracking” the one billion line.

The extraordinary development from a one-man business into an international group with 5,500 employees worldwide is an almost unrivalled German success story, especially considering that the rise of the business did not take place in the post-war era but only in the 1970s and 1980s. The same applies to the many decades of exemplary social, cultural, and athletics sponsorship of the Gauselmann family based on an entrepreneurial sense of responsibility and voluntary commitment.

Paul Gauselmann – Founder of the group

The 50 year history of the Gauselmann Group is primarily also the history of its founder Paul Gauselmann, who until today decisively shapes and moulds the fate of the company. Indeed, it was initially not foreseeable that the man, who nowadays is sometimes respectfully called the “pope of gaming machines” or the “German king of gaming machines” etc. would turn into one

of the leading global providers of amusement machines with and without cashprize and money handling machines. Paul Gauselmann, born in Borghorst near Münster / North Rhine-Westphalia on 26 August 1934, who grew up in Münster, initially trained in a technical vocation and became a telecommunications inspector. His affection for all types of games since early childhood later turned into a passion for coin-operated machines.

At the end of his regular apprenticeship Paul Gauselmann was invited to take part in a six month special training course at the "Telefonbau und Normalzeit" (T+N) company headquarters in Frankfurt. He completed both the apprenticeship and the special training course with distinction and started his professional career as a telecommunications inspector. Aged 21 he became inspector for T+N in the town of Lengerich. He had two technicians report to him, had his own car and earned approximately DM 370.- / month – a very good salary at the time.

However, a colleague working for a coin-operated machine business told him that he could earn DM 600.- / month in this industry. Paul Gauselmann was inspired – because he already had to provide for a family with two children – and therefore changed jobs and on 12 March 1956 started working for a coin-operated machine company in Coesfeld, the general importer for American Wurlitzer jukeboxes. Despite the heavy work load and the long working hours he still found time for his hobby – inventing. Among other things he developed a remote selection control for German jukeboxes. In November 1956 he presented his invention to a coin-operated machine company in Espelkamp. The technical director, Mr. Fr. Foelkel was so thrilled that he employed him immediately. The remote selection control was his first patent-protected invention – more than 300 were to follow! This was another step on Paul Gauselmann's career ladder. Followed by another one only a few years later (1960), when he was made head of the development department for coin-

operated machines. Paul Gauselmann owed this position not only to his technical competencies, but also to his imaginative ideas, his inventive spirit, and above all to his drive and persistence.

1957 – A company is born

Paul Gauselmann took the decisive step to becoming an entrepreneur in 1957. Simultaneously to all his work – at the time a working week meant six working days and 48 working hours – Paul Gauselmann decided “I am going to built coin-operated machines“ by initially installing jukeboxes as a sideline. This was the birth of the later gaming machine empire. The success story started with 17 jukeboxes, a capital of DM 2,000 and a crossed bill of exchange of DM 100,000! A year later his brother Willi joined him in the young company and his brother Eugen followed in 1962.

In 1964 Paul Gauselmann took the final step to complete entrepreneurial independence, after having successfully built up his “after hours-business“ with plenty of hard work and commitment. At the time, the young company already employed a staff of 15. This was the definite start of the steep rise of the company and of Paul Gauselmann.

The conversion of second-hand US jukeboxes that received a new housing (“a new face“) were at the time the core activity of the company. Paul Gauselmann explains the success of the young company as follows: “I gained experience in the industry with jukeboxes and electric cigarette vending machines in Espelkamp. I brought along my technical training with ‘Telefonbau und Normalzeit’ and the necessary inherent assertiveness. Action and managing is something I had to learn in the years after the war.“

Important milestones in the corporate history

The unrivalled corporate history of the Gauselmann Group has of course special milestones that were crucial for its

development and progress.

The probably best known "invention" of Paul Gauselmann is considered to be the modern gaming arcade, the "Merkur-Spielothek". Until then society has had a negative image of arcades as "gambling joints". But thanks to the concept of attractive entertainment centers with light-flooded, open and modern equipment "Merkur-Spielothek" revolutionized gaming machine operations and distinguished itself positively from what was offered at the time. Since opening the first "Merkur-Spielothek" in Delmenhorst in 1974 the Gauselmann Group has set yardsticks in this segment of the industry. With 200 own "Merkur-Spielothek" arcades in Germany the biggest German arcade chain evolved, which is additionally also represented in nine European countries with 65 outlets under the name of "Merkur Casino". There are "Merkur Casino" entertainment centers in Slovakia, the Czech Republic, Hungary, Croatia, Romania, Russia, Latvia, the Netherlands, and Spain.

Even two years before the first "Merkur-Spielothek" arcade was inaugurated the decision was taken to develop, manufacture and sell the companies own AWP machines. While Paul Gauselmann had harbored the idea for a while not to limit his activities to being a dealer and operator of AWP machines, but to produce the gaming machines himself, it took an external trigger to realize it, in this case the supply boycott of a major manufacturer. Therefore, in 1972 the decision was taken to develop and also to manufacture AWP machines. It took four years until the Physikalisch-Technische Bundesanstalt (PTB) granted the approval for the first AWP machine made by Gauselmann shortly before the end of 1976. The brand name Merkur (1976 was the year in the sign of Mercury, in German Merkur) is now synonymous with the most popular and successful AWP machines in the German market. Once again, the technological skills, love for mathematics, and positive gaming passion of Paul Gauselmann bore fruits. Merkur B – the correct name of the first Gauselmann AWP machine – conquered

the industry right from the start in 1977 under the sign of the Merkur sun. It has become the visible sign of the unstoppable rise of the Gauselmann Group as gaming machine developer and producer.

The success of the first AWP machine also continued with its successors, so that the Merkur gaming machines slowly became a well-established player in the industry, which until then had been dominated by two major manufacturers and their products. The reason were mainly the new and varied features of the Gauselmann machines and last but not least Paul Gauselmann's talent "to look into the heart" of the players. The Gauselmann Group has been the sole innovation and technology leader in the coin-operated machine industry ever since, and with its gaming systems, inventions, and technological innovations has always been the benchmark for successful operations. In combination with the groundbreaking ideas of Paul Gauselmann and the development departments of the Gauselmann Group with a staff of 500 in all parts of the company, the coin-operated machine company has always been able to secure its business, even when the general economic and political situation made this difficult. Developments such as the risk ladder, LED multicolor technology "light attracts people", the "quick game system" – overlapping games with a chance of 300 games in one hour instead of 260, the attractive "success guarantee", the "Individual Quote" (IQ) and the "G Quote" specially for gastronomic businesses, the "Recall-Commander", and last but not least the revolutionary invention of the "fun games for money" are but some of the many innovations that positively changed the amusement machine industry in Germany. So Paul Gauselmann continues to contribute many important ideas to the development department of his company.

Thanks to the creativity of the entrepreneur, the optimum gaming systems, and the innovative technology of the products as well as a fully customer-focused "all-round service" the Gauselmann Group as a newcomer among the gaming machine

manufacturers became the market leader as early as the mid-1980s and has successfully remained so with more than 50 percent! In order to secure this position the Gauselmann Group has also always been leading and benchmark in quality matters. Thus, the company is the only one in the industry to be TÜV tested. The DIN EN ISO 9001:2000 certification for development, production, sales and after-sales services is a clear sign for the outstanding quality management of the family-managed company in East Westphalia.

Gauselmann – The entrepreneurial family

In a relatively short period of time the Gauselmann Group grew continuously, on the one hand thanks to acquisitions of other companies and on the other hand thanks to the foundation of new companies.

According to friends, the sustained success of Paul Gauselmann and his company has only been possible because he has always been able to excellently combine Westphalian accuracy with a healthy degree of ambition, self-confidence, zeal, and an eye for the essential. Another decisive criterion is the family, without whom the entrepreneurial success would not have been conceivable. His wife Karin Gauselmann comes first, who is surely the most important advisor of her husband. The businesswoman, who is a member of the Supervisory Board and at the same time chairperson of the Board of Trustees of the Gauselmann Foundation has been active in the company for almost forty years. In addition, his sons helped to establish important parts of the company. The eldest son, Peter Gauselmann, a graduated computer scientist, has worked in the company for ten years and was responsible for setting up the systems house BEIT GmbH. Michael Gauselmann, who holds a degree in business administration, has been with the company for 25 years, and for the last 15 years has been responsible for developing Atronic and hence the “worldwide Casino machine business.” Today he is equal to his father a co-chairman of the Gauselmann AG. Armin Gauselmann, who also holds a degree

in business administration, has been working in the company for 15 year; as a member of the Management Board he is responsible for the areas "New business activities", HR and real estate, the Sammlung Gauselmann – Deutsches Automatenmuseum as well as the Gauselmann Foundaiton. The youngest son, Karsten Gauselmann, looks back to 20 years in the company and currently heads the vehicle fleet with approximately 700 vehicles. "Only with the help of such a strong and dedicated family, who always backed me all the way, has it been possible that the company underwent such a successful evolution. In particular my wife Karin, who was the one to mainly raise our four sons and who has always been my best advisor also in stormy times, contributed decisively to the success of our company", says Paul Gauselmann.

The group of companies becomes a global player

In 1980 the Gauselmann AG is established as a holding for the group including the central services for many of the group companies that had developed meanwhile.

In 1993 the decision was taken to also captivate the international markets for gaming and technology "made by Gauselmann"; an important step for securing the group in the long run by entering into the international casino machine business. The visible sign was that Atronic was established for the development and production of casino machines for the worldwide market. By taking this important strategic step Paul Gauselmann and his son Michael and the entrepreneurial family wanted to avoid being dependent on just one main market. Meanwhile, this farsighted decision has grown into one of the supporting pillars of the Gauselmann Group. Michael Gauselmann is responsible for the entire Atronic business. By the way, he is head of the only European company with manufacturing licenses for the most important American casino market in Las Vegas / Nevada. The company has 223 sales and manufacturing licenses worldwide and supplies 90 countries globally.

Founding Atronic also fuelled the consistent globalization of the East Westphalian group. Today, all European activities that do not form part of the casino machine business are combined under the umbrella of "Mercur International". Another important new business activity is the sportsbetting business. Only very recently the company group became active in the privatized Italian sportsbetting market. The subsidiary Mercur Interactive obtained licenses for 76 betting offices and 157 sales outlets in Northern Italy and a license for internet-based gaming in all of Italy. In addition, there is the additional opportunity for the betting offices to also install AWP machines to strengthen the market position in this segment in Italy, too. The sportsbetting activities are headed by Armin Gauselmann and they are to serve as the basis for being prepared for further activities in a liberalized European sportsbetting market.

Industry politics activities

Paul Gauselmann is not only a dedicated entrepreneur, but realized early on that one cannot achieve much without the necessary lobby. This is especially true concerning politics and the media. After all, politicians on a Federal and on a Land level decide on the framework of commercial gambling. For this reason it has always been very important to Paul Gauselmann to optimize the framework conditions of the industry by active commitment in the relevant associations.

As early as 1966 Paul Gauselmann became a member of the Board of Deutsche Automaten-Verband e.V. (DAV) in North Rhine-Westphalia. In 1970 he was made chairman of the association and vice-chairman of the German operator association ZOA (Zentralorganisation der Automatenunternehmer). Since 1981 or for 26 years he has headed the association Verband der Deutschen Automatenindustrie e.V. (VDAI) and is honorary chairman of the DAV. In all these years Paul Gauselmann has conducted a responsible and farsighted dialogue with politicians and society. Despite all difficulties he always

keeps cool and stays true to his motto that one should always keep a stiff upper lip in difficult times: "When looking closely nothing is ever as negative as not to include anything positive at all".- That is his tenet.

Michael Gauselmann, too, engages in industry politics next to his work in the company. Together with young operator businesses he founded the "FORUM Junger Automatenunternehmer in Europa e.V." today the "Forum für Automatenunternehmer in Europa e.V." in 1990.

Social activities

The Gauselmann family is not only an entrepreneurial family but also feels a special obligation towards society. Although the international growth has continued for many years now, the family-managed group shows its social role in the form of regional activities in the home region, the former district Lübbecke / district Minden-Lübbecke. The Gauselmann Group has always been a highly esteemed and reliable partner for sports, cultural, ecological, and social facilities, initiatives, and institutions. The company also focuses on the history of coin-operated machines. The Sammlung Gauselmann – Deutsches Automatenmuseum (Collection Gauselmann – German Coin-Operated Machine Museum) is home to more than 1,150 exhibits, which make it the biggest European documentation of human inventiveness in this product segment.

On his 65th birthday Paul Gauselmann created the Gauselmann Foundation, which today is endowed with EUR 3 million.

In 1993 Paul Gauselmann was decorated with the Federal Cross of Merit for his manifold and generous social, cultural, and sports commitments and in addition for his merits in the German coin-operated vending and amusement machine industry. Almost one decade later he was promoted and decorated with the Federal Cross of Merit First Class by the late German Federal President Johannes Rau upon suggestion of Wolfgang Clement,

who at the time was minister president of the Land North Rhine-Westphalia. In addition, the two cities Espelkamp and Lübbecke both granted Paul Gauselmann the freeman of the city on the occasion of his 70th birthday.

