



**NOVOMATIC AG**  
Annual Financial Report 2019

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# FOREWORD BY THE EXECUTIVE BOARD

Dear Ladies and Gentlemen,

Once again, 2019 was a challenging year in what is now 40 years of NOVOMATIC history. With EUR 2,608 million (2018: EUR 2,585 million), we have been able to realize a respectable turnover, continue to grow within established markets, move into new sales markets, and secure the leading position in our core markets. In addition, we have moved forward with the optimization of the corporate structure on all levels, and established sustainable measures for optimizing costs and increasing efficiency. The NOVOMATIC AG Executive Board and Supervisory Board were also reorganized in September 2019. The previous fiscal year ended on a positive note, confirming that a consistent, Group-wide continuation of our consolidation strategy is the right path.

A central component of our core business is the development of innovative gaming technology for the global market. The combination of gaming operations and gaming technology has allowed our company to establish itself, over the course of its 40 year history, as a top player and leading full-service provider in the gaming industry. NOVOMATIC has locations in around 50 countries and, in 2019, exported innovative gaming equipment, system solutions, and services to more than 75 nations. We were also able to further develop and expand our broad range of products. In addition to a focus on new products and an increasing number of themed gaming titles, the global growth of the online gaming sector played a significant role during the year under review.

Despite the regulatory challenges in Germany and Italy, we are once again proud to report an increased turnover of EUR 1,650 million in the gaming operations segment, thanks to strong results in the UK, Spain, and Eastern Europe. The Casino FlaminGO Skopje in North Macedonia and Casino Waalwijk in the Netherlands, both opened in 2019, also contributed to these positive results. The NOVOMATIC AG Group now operates a total of 152,000 gaming terminals and video lottery terminals (VLTs), either in approximately 1,900 Group-owned gaming facilities or via rental models. Sales revenues in the gaming technology segment amounted to EUR 955.0 million in the reporting period, representing an increase over the previous year's level.

On the financial market, a bond issued on January 28, 2013 was successfully redeemed in January 2019 for a total of EUR 250 million. In May 2019, Standard & Poor's evaluated NOVOMATIC AG's credit rating at BB+ with a stable outlook, putting NOVOMATIC in a leading position within the industry. Finally, the free cash flow in 2019 was increased to a record amount of EUR 532.7 million. The net debt was reduced by EUR 307.1 million to EUR 964.0 million (excluding IFRS 16) and, as a result, the equity ratio (excluding IFRS 16) improved from 33.1 % to 38.3 %.

Our company's performance as an international and innovative technology supplier was also recognized multiple times by external organizations. For example, for the third time in a row, NOVOMATIC received the Global Gaming Award in the category "Casino Supplier of the Year." Not only that, NOVOMATIC and material subsidiaries were able to take on a pioneering role in the area of youth and player protection via certification from the Global Gambling Guidance Group (G4) in 2019. NOVOMATIC is therefore one of the first gaming technology groups worldwide to successfully certify the majority of all business segments, both in manufacturing and operations.

As a globally operating gaming technology group, we are cognizant of the serious responsibility we have both towards our customers and towards our over 22,000 employees around the globe. That is why NOVOMATIC is committed to socially responsible and environmentally sustainable company development. This commitment takes into account more than just economic aspects, it also considers environmental, social, and employee issues, respect for human rights, the fight against corruption, as well as other key issues. Information on the programs we use to engage with these issues can be found in the non-financial part of this report.

The effects of the Coronavirus mean that companies around the world, including NOVOMATIC, are facing completely new challenges, and it is too early to evaluate any possible consequences for the 2020 annual and consolidated financial statements. The key factor here will ultimately be the length of any supply chain delays for gaming machine production caused by the virus and the length of temporary closures of slot arcades and casinos. Our top priority, regardless of the situation, is to protect the health of our employees while simultaneously upholding the value creation process.

Despite these challenges, NOVOMATIC is committed to celebrating 2020 as the year of its 40<sup>th</sup> anniversary – and as always, our employees will take center stage. We would therefore like to take a moment to particularly thank you, the people who work tirelessly every day on behalf of the Group – after all, it is our employees that have guaranteed NOVOMATIC's success over the past 40 years.

The Executive Board of NOVOMATIC AG



**Ryszard Presch**

Member of the Executive Board



**Johannes Gratzl**

Member of the Executive Board



NOVOMATIC  
Consolidated Financial Statement

# NOVOMATIC AG MANAGEMENT REPORT

for the 2019 Consolidated Financial Statement, NOVOMATIC AG, Gumpoldskirchen

## (1) Purpose of the Business and Strategy

NOVOMATIC<sup>1</sup> is a globally operating, integrated gaming technology and entertainment group with 40 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, manufactures and sells gaming products, lottery technologies and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC furthermore operates around 1,900 own gaming facilities, which include casinos, slot arcades, sports betting outlets and bingo facilities.

In addition to the development of gaming equipment, the NOVOMATIC Group has established itself as a content provider of games for licensed online and offline suppliers and as an operator of online gaming platforms.

NOVOMATIC pursues a strategy of vertical integration within the gaming industry, meaning it acts as a manufacturer of state-of-the-art gaming equipment as well as an operator of gaming facilities. In the years since its establishment, this has contributed significantly to the success of the Company. 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 technologies in a goal-oriented manner.

## (2) Economic Conditions

### Macroeconomic Development

It should be noted here that the statements regarding the overall economic development, the market development in the gaming market and the expected development of NOVOMATIC AG are based on estimates (e.g. studies, etc.) which do not yet take into account the influence of the coronavirus crisis unfolding around the world, as this cannot currently be reliably estimated. Please refer to the notes under Point 6. Risk Management for further information on the coronavirus crisis.

Geopolitical tensions and protectionist trade policies, especially between the USA and China, are causing uncertainty in the global economy. The result, according to economists at the International Monetary Fund, was global growth of 3.0 percent in 2019<sup>2</sup> – the lowest level since the global economic crisis in 2008/2009.

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

<sup>2</sup> According to the World Economic Outlook 2019 provided by the International Monetary Fund (IMF)

| Economic growth in % <sup>3</sup> | 2020f | 2019 | 2018 |
|-----------------------------------|-------|------|------|
| Austria                           | 1.4   | 1.5  | 2.4  |
| Germany                           | 1.0   | 0.4  | 1.5  |
| Italy                             | 0.4   | 0.1  | 0.8  |
| United Kingdom                    | 1.4   | 1.3  | 1.4  |
| Spain                             | 1.5   | 1.9  | 2.4  |
| Netherlands                       | 1.3   | 1.7  | 2.6  |
| Central and Eastern Europe        | 2.5   | 1.8  | 3.1  |
| USA                               | 2.1   | 2.4  | 2.9  |
| Latin America                     | 1.8   | 0.2  | 1.0  |

Growth of 1.2 percent is forecast for the eurozone in 2019, where geopolitical tensions, revolving around the potential for a no-deal Brexit, have had a major impact on European economies. The loose monetary policy continuing to be pursued by the European Central Bank with the corresponding key interest rate of 0.0 percent, however, provides incentives for lending and investments.

Falling exports, due in part to the declining automotive industry in Germany, together with lower investment activity meant that Austria's economy grew by 1.5 percent in 2019. Nevertheless, higher levels of private consumption and finance-related policy support ensured that the economy saw a stable development in comparison with other European countries.

Germany is being affected by the changing attitudes in the automotive industry, declining exports, outsourced production activities and lower domestic demand, meaning that Europe's economic powerhouse is seeing a substantial slowdown in the pace of growth, forecast to be 0.4 percent for 2019.

Italy's economy continues to flounder. Shrinking production output in line with the global trend coupled with falling levels of private consumption caused by weaker-than-average wage growth is expected to translate into economic growth of 0.1 percent in 2019.

Growth of 1.3 percent is forecast for the United Kingdom in 2019, attributable not just to the uncertainty surrounding Brexit but also to declining exports (-0.5 percent) and the negative effect of the general economic situation around the world. Higher wages, which lead to more spending, may help counter the economic slowdown.

Spain's economy is also blighted by weak consumer spending despite rising wages. The reason for this is the general level of uncertainty in the population, which is saving its money instead of investing. Growth in this part of the Iberian Peninsula is forecast to be 1.9 percent in 2019.

Private consumption remained stable in 2019 on the back of rising wages and public spending in the Netherlands, but the pace of economic growth nonetheless slowed in a year-on-year comparison, coming in at 1.7 percent in 2019. This is largely attributable to weaker international demand reflecting the wider global economic situation.

Despite stable economic growth in a number of countries in Central and Eastern Europe (including Hungary, Poland and Romania), a year-on-year economic slowdown is also forecast for this region, amounting to 1.8 percent in 2019. The reason for this is primarily due to Russia' weaker-than-expected economic performance coupled with stagnating growth in Turkey.

<sup>3</sup> Growth forecasts for Austria, Germany, Italy, the Netherlands, Spain, and the United Kingdom have been taken from the European Union.

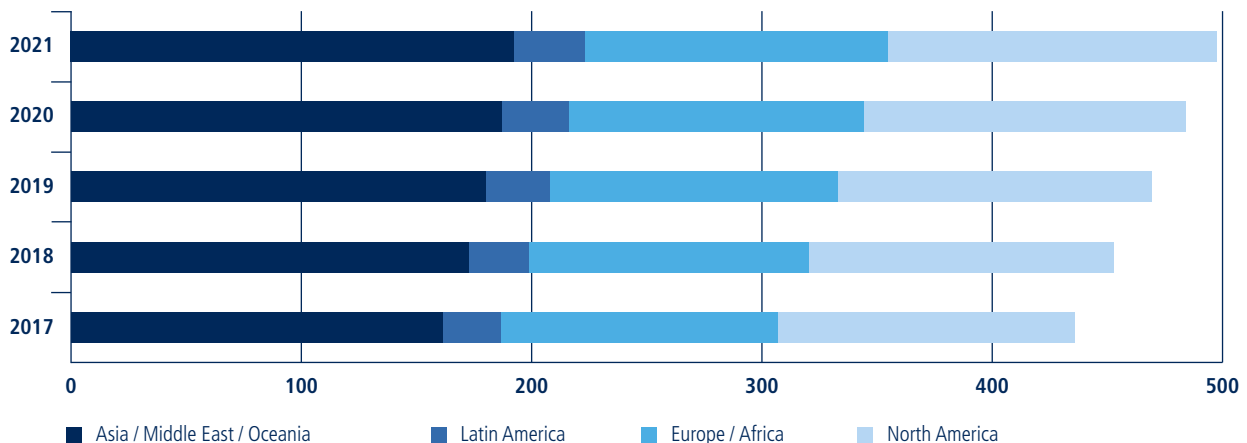


With a macroeconomic growth of 2.4 percent, the United States was able to demonstrate a solid increase in 2019. It was possible to dampen the negative effects of tariff hikes on Chinese imports and the uncertainty surrounding trade policy thanks to loose monetary policy, robust consumption and high employment rates.

The Latin American economy was estimated to grow by 0.2 percent in 2019, which is 0.8 percentage points below the figure of the previous year. The low level of growth is primarily the result of a waning performance by the two strongest economies on the continent, Brazil and Mexico. While disruptions in the mining supply chain are hampering Brazil's growth, Mexico is struggling with weak private consumption brought on by political uncertainty and lower levels of investment compared with the previous year.

## Development of the Gaming Market

### WORLDWIDE GAMING REVENUES in billion USD (source: GBGC)



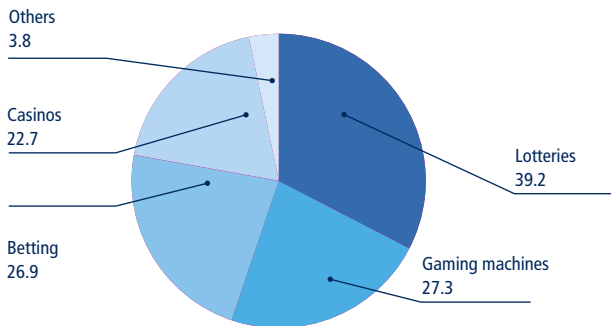
Despite more red tape and higher taxes in many markets, worldwide gaming revenues rose again in 2019, reaching USD 463.9 billion according to the Global Gambling Report produced by Global Betting and Gaming Consultants (GBGC).<sup>4</sup> This represents an increase of 1.1 percent over the previous year. As in the past, the casino sector saw the most growth at 4.2 percent, while the second-largest sector, the lottery business, shrank by 1.2 percent compared with 2018.

In Europe, NOVOMATIC's most important gaming market, gaming revenues amounted to USD 119.8 billion in 2019, 32.7 percent of which are attributable to the lottery sector, which is the largest sector in Europe with a total revenue of USD 39.2 billion and grew by 2.0 percent over 2018. Gaming machines not located in casinos continue to make up the second-largest sector in Europe, but the revenue generated by them fell by 7.2 percent due in part to changes in the regulatory environment. With an increase of revenue of 0.3 percent, growth on the European market was very modest compared with 2018. The experts at GBGC anticipate average growth of around 3.2 percent for the coming years, although this figure depends heavily on the regulations in place in the various individual European markets.

<sup>4</sup> According to the Global Gambling Report of the GBGC, September 2019



## GAMING REVENUES IN EUROPE, USD BILLIONS



Gross gaming revenues in the North American gaming market amounted to USD 135.1 billion in 2019, representing growth of 3.3 percent over 2018. The largest percentage gains in revenues was recorded in the betting sector with 7.7 percent. This sector benefited particularly from the repealing of a federal law banning sports betting anywhere except for the state of Nevada. Average growth of 3.1 percent is forecast for the North American gaming market between 2019 and 2022.

The Latin American gaming market is forecast to achieve an average annual growth rate of 4.2 percent. The lottery sector in particular is growing rapidly at around 6.5 percent. In absolute terms, however, the importance of this gaming market remains subordinate to the other regions. With a gross gaming yield of USD 26.3 billion in 2019, the market accounted for only 5.7 percent of global gaming revenues.

Global online gaming revenues rose again in 2019 (+6.9 percent), reaching USD 53.9 billion, meaning that the online segment makes up around 11.6 percent of global gaming revenues.

### (3) Business Performance

#### General business development in the reporting period

The consolidation course was resolutely pursued in the 2019 fiscal year. As in previous years, NOVOMATIC's business development in the current reporting period was again impacted by changes in the legal framework in key core markets. Group revenue (before gaming and betting fees) increased from EUR 2,585.3 million in the previous year to EUR 2,607.3 million in 2019, despite numerous challenges. At EUR 88.8 million, net profit is higher than in the two previous reporting periods.

The number of locations operated (including casinos, sports betting outlets and bingo operations) declined to around 1,900 locations (previous year: 2,000 locations), mainly due to the extensive ban on gaming in Albania<sup>5</sup>. The number of gaming machines operated was, however, increased to a total of around 63,800 (previous year: 63,300 machines).

The Group's rental portfolio was reduced by around 5,900 machines to approximately 152,100 machines at the end of 2019 compared with the previous year. The decline is mainly due to the changed regulatory framework in Germany (State Treaty Amending the Gaming Act, accompanying state laws on gaming arcades, amendment of the Gaming Ordinance), which led to an ongoing reduction in locations and gaming machines on the market. The new framework conditions meant that the number of rented gaming machines in Germany decreased by around 6,100 units, resulting in a reduction in revenue from the operating business in Germany.

<sup>5</sup> Excluding discontinued operations

Italy was affected by numerous additional legislative changes in 2019. Both the increase in the stake-dependent gaming tax, which was raised several times at the beginning of 2019 and in the following months, and the stricter regulatory requirements for gaming operations (distance regulations, etc.) had a significant impact on the development of revenues and earnings.

In the United Kingdom, the maximum stake for fixed-odds betting terminals (FOBTs) in licensed betting offices (LBOs) was reduced from GBP 100 to GBP 2 as of April 1, 2019, thereby being brought in line with the level of the maximum stakes in adult gaming centers (AGCs). This change in the law has already led to numerous closures of LBOs, which has had a positive effect on the revenue development of AGCs. NOVOMATIC is the market leader for AGCs in the UK.

Ainsworth Game Technology Ltd. recorded a year-on-year decline in revenue due to lower equipment sales compared with the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by EUR 136.8 million (+24.9 percent) in 2019 to EUR 685.3 million. The associated increase in the EBITDA margin from 21.2 percent to 26.3 percent is mainly attributable to the first-time application of IFRS 16. Earnings before interest and taxes (EBIT) of EUR 167.4 million was also up significantly on the previous year's level (EUR -138.6 million), which had been negatively burdened by one-off impairment-related effects in the amount of EUR 356.1 million (netted with impairment reversals).

## Important events

In addition to cost optimization and efficiency enhancement measures, the consolidation course taken also resulted in the sale of various investments. The sale of the I-NEW Group in the 2018 fiscal year was followed by the sale of the subsidiaries in Croatia, the majority of the existing technology business in the UK, the NOVOMATIC Lottery Solutions Group, and other smaller subsidiaries in 2019. The decision was also taken at the end of the year to sell the shares in Casinos Austria AG.

Smaller companies were acquired in Germany, Italy, Spain, the Netherlands, and Eastern Europe, primarily focusing on the operation of slot arcades. With these acquisitions, the Group aims to further consolidate and enhance its market position in the corresponding core markets.

A bond issued on January 28, 2013, with an issue volume of EUR 250.0 million was repaid in January 2019. The utilization of the credit line of EUR 1.0 billion amounted to EUR 160.0 million as at December 31, 2019. By exercising the second extension option, the term of this credit line was extended by a further year, meaning that it is available for use until March 2024.

In May 2019, Standard & Poor's awarded NOVOMATIC AG a credit rating of BB+ with stable outlook.

The provisions of IFRS 16 are to be applied for the first time by companies of the NOVOMATIC Group for the 2019 annual report. For this reason, the effects of the application of IFRS 16 on existing financing agreements were analyzed back in 2018. This resulted in a need for adjustment, particularly in the area of financial covenants. As a result, all material financing agreements were adjusted.

## Consolidated Financial Statement for NOVOMATIC

### EARNINGS POSITION

| EUR m  | 2019           | 2018           | Difference absolute | Difference in % |
|--|----------------|----------------|---------------------|-----------------|
| Revenues   | 2,607.3        | 2,585.3        | 21.9                | 0.8 %           |
| Gaming taxes and betting fees  | -312.3         | -297.1         | -15.1               | 5.1 %           |
| <b>Revenues after deduction of gaming taxes and betting fees</b>     | <b>2,295.0</b> | <b>2,288.2</b> | <b>6.8</b>          | <b>0.3 %</b>    |
| Changes in inventories of finished goods and work in progress        | 16.9           | 24.8           | -7.9                | -31.8 %         |
| Own work capitalized   | 69.8           | 279.8          | -210.0              | -75.0 %         |
| Other operating income   | 97.8           | 73.6           | 24.3                | 33.0 %          |
| Cost of material and other purchased services                        | -326.2         | -495.5         | 169.4               | -34.2 %         |
| Personnel costs  | -772.8         | -755.1         | -17.7               | 2.3 %           |
| Other operating expenses   | -695.3         | -867.3         | 172.0               | -19.8 %         |
| <b>EBITDA</b>  | <b>685.3</b>   | <b>548.5</b>   | <b>136.8</b>        | <b>24.9 %</b>   |
| <b>EBITDA margin</b>   | <b>26.3 %</b>  | <b>21.2 %</b>  | <b>5.1 PP</b>       | <b>-</b>        |
| Depreciation and amortization, impairment and reversal of impairment | -517.9         | -687.0         | 169.1               | -24.6 %         |
| <b>EBIT</b>  | <b>167.4</b>   | <b>-138.6</b>  | <b>305.9</b>        | <b>-220.8 %</b> |
| <b>EBIT margin</b>   | <b>6.4 %</b>   | <b>-5.4 %</b>  | <b>11.8 PP</b>      | <b>-</b>        |
| Financial result   | -16.9          | -27.5          | 10.6                | -38.6 %         |
| <b>Earnings before taxes</b>   | <b>150.4</b>   | <b>-166.1</b>  | <b>316.5</b>        | <b>-190.6 %</b> |
| Tax expenses   | -46.5          | 33.5           | -80.0               | -239.0 %        |
| <b>Net result from business segments to be continued</b>             | <b>103.9</b>   | <b>-132.6</b>  | <b>236.5</b>        | <b>-178.4 %</b> |
| Result from discontinued operations                                  | -6.6           | -22.3          | 15.7                | -70.3 %         |
| <b>Result for the year</b>   | <b>97.3</b>    | <b>-154.9</b>  | <b>252.2</b>        | <b>-162.8 %</b> |

| Key figures from earnings position                 | 2019<br>incl. IFRS 16 | 2019<br>excl. IFRS 16 | 2018     |
|--|-----------------------|-----------------------|----------|
| Earnings before interest and tax (EBIT) (in EUR m) | 199.2                 | 129.1                 | -129.3   |
| Profit margin                                      | 7.6 %                 | 4.9 %                 | -5.0 %   |
| Return on equity                                   | 10.7 %                | 11.2 %                | -12.2 %  |
| Return on total capital                            | 4.6 %                 | 3.5 %                 | -3.2 %   |
| Interest coverage ratio                            | 343.5 %               | 537.7 %               | -376.4 % |
| Effective tax rate                                 | -30.9 %               | -29.5 %               | -20.2 %  |

EBITDA and EBIT constitute key performance indicators that are not defined in the International Financial Reporting Standards (IFRS). They serve as a way for the management of NOVOMATIC to measure and control the Group's economic success and profitability. The EBITDA key performance indicator is calculated by taking the operating profit and adjusting it for depreciation, amortization, impairment losses and reversals of impairment losses. At NOVOMATIC, the EBIT key performance indicator refers to the operating profit as presented in the consolidated income statement. EBITDA margin is calculated based on EBITDA in relation to revenues. EBIT margin is derived from EBIT in relation to revenues. Earnings before interest and tax are the result of an adjustment

of interest expenses on earnings before taxes. Profit margin corresponds to a proportion of earnings before interest and tax to revenues. Return on equity is the proportion of earnings before interest and tax to equity. Return on total capital is derived from earnings before interest and tax in relation to total capital. Interest coverage is the ratio between EBIT and interest expenses. The effective tax rate is the ratio of income tax to profit before taxes.

Despite numerous regulatory challenges, revenue for the 2019 fiscal year came in at EUR 2,607.3 million, representing an increase of EUR 21.9 million (+0.8 percent) over the previous year.

The largest absolute increase was achieved in the area of betting revenues, which rose by EUR 19.3 million (+12.4 percent) to EUR 175.3 million. The Austrian market in particular contributed to this positive development, recording an increase of EUR 13.0 million.

Revenue from the rental of gaming machines also saw a substantial increase by EUR 18.4 million (+3.5 percent) to EUR 537.8 million in 2019. This growth is attributable to the Group companies in the United Kingdom (EUR +5.0 million) and Italy (EUR +3.0 million), in addition to the Australian company Ainsworth Game Technology Ltd. (EUR +5.2 million), which has been benefiting from strong demand in the North American market. Sales revenues in 2019 amount to EUR 395.6 million, an increase of EUR 7.5 million (+1.9 percent) which was achieved, despite lower revenues generated by NOVOMATIC AG, thanks to greater demand for NOVOMATIC devices and components in the core markets of Italy (EUR +8.0 million), the United Kingdom (EUR +5.4 million) and Germany (EUR +4.4 million).

2019 saw a rise in eBusiness revenues of EUR 17.8 million (+13.2 percent) to EUR 152.2 million, being largely generated by the Greentube Group and mainly attributable to an efficient marketing program, which includes, among other things, rebranding in the course of work to create a uniform ADMIRAL look, as well as continuous improvements to the platforms and expansion of the games portfolios.

Despite more challenging conditions in numerous countries where NOVOMATIC is active, gaming machine revenues increased again to EUR 1,265.9 million (+EUR 1.4 million). At EUR 26.0 million (+17.0 percent), the United Kingdom had the highest level of growth here, a fact mainly due to the closure of numerous LBOs following the reduction of the maximum stake in FOBTs. Aside from the United Kingdom, the markets in Spain (EUR +9.2 million) and the Netherlands (EUR +6.2 million) also helped compensate for the negative effects of new legal framework in important markets such as Germany (EUR -18.4 million) and Italy (EUR -13.7 million).

Gaming taxes and betting fees, which depend largely on gaming machine and betting revenues, increased in 2019 to EUR 312.3 million, compared to EUR 297.1 million in the previous year. The growth of EUR 15.1 million (+5.1 percent) is the result of increased gaming machine revenues in the United Kingdom (+18.6 percent) and the positive development of the Greentube Group's eBusiness revenues (+46.5 percent), along with higher taxes in the online sector in Italy and the United Kingdom.

Total other operating income rose by EUR 24.4 million compared to the same period in 2018, amounting to EUR 97.8 million in 2019.

The reduction of EUR 210.0 million (-75.0 percent) in own work capitalized to EUR 69.8 million is primarily due to the high level of capitalized expenses required to convert gaming machines in accordance with Technical Guideline 5.0 (TR 5.0) in Germany in 2018. The changes in inventories of EUR 16.9 million (-31.8 percent) and the decline in the cost of materials by EUR 169.4 million (-34.2 percent) to EUR 326.2 million are also attributable to the amendment of the German Gaming Ordinance and the associated new types of machines in 2018.

The NOVOMATIC Group's personnel costs rose by EUR 17.7 million (+2.3 percent) in the reporting year to EUR 772.8 million, an increase which is primarily attributable to the subsidiaries in the United Kingdom (+EUR 10.3 million), having hired more employees due to the closure of LBOs and the associated extended opening hours.

Other operating expenses (excluding gaming taxes) decreased to EUR 695.3 million, compared to EUR 867.3 million during the previous year, mainly as a result of the IFRS 16 adjustments in rental expenses.

Rental expenses fell by EUR 143.0 million (-79.6 percent), largely due to the first-time adoption of the IFRS standard, and totaled EUR 36.5 million in the past fiscal year. In addition, other services received in Germany are EUR 10.4 million lower than in 2018. This is mainly due to extraordinarily high expenses in the areas of logistics and administration in connection with the conversion of devices to comply with TR 5.0 in the previous period.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 685.3 million compared to EUR 548.5 million in 2018. The EBITDA margin in 2019 was 26.3 percent, 5.1 percentage points above the previous year's level (21.2 percent). The increase in the EBITDA margin is mainly due to the first-time application of the IFRS 16 standard, having a positive impact on the margin. Operating profit (EBIT) came in at EUR 167.4 million, up by EUR 305.9 million over the previous year. The increase is primarily due to the impairment losses recognized in the previous period on acquired companies, which mainly related to declining sales in the core markets of Ainsworth Game Technology Ltd., as well as to the higher write-downs on gaming equipment due to the smaller German gaming market caused by the State Treaty Amending the Gaming Act. In the 2019 fiscal year, impairment losses of EUR 17.6 million were primarily recognized on slot arcades and equipment components in the core regions of Germany, Italy and Spain. In addition, a goodwill impairment of EUR 4.1 million was charged in the Online segment due to the fact that business performance fell short of expectations. Impairment losses of EUR 35.1 million are offset by reversals of impairment losses totaling EUR 13.4 million.

The financial result increased from EUR -27.5 million in the previous year to EUR -16.9 million (+38.6 percent). Financial income rose by EUR 21.3 million (+90.1 percent), due in particular to higher investment income. This is contrasted with positive currency effects of EUR 0.8 million from intragroup financing, which were EUR 7.1 million (-89.3 percent) lower than in the previous year. Financial expenses rose by EUR 3.0 million (+5.0 percent) to EUR 62.3 million.

Earnings before taxes improved to EUR 150.4 million during the reporting period, corresponding to an increase of EUR 316.5 million. Income tax expense amounted to EUR 46.5 million after an earnings-boosting effect of EUR 33.5 million in the previous year.

## Important Key Figures

### Leased gaming devices<sup>6</sup>

|      | Group   | Austria | Germany | Italy  | United Kingdom | Spain | The Netherlands | Eastern Europe | Other countries | Online |
|------|---------|---------|---------|--------|----------------|-------|-----------------|----------------|-----------------|--------|
| 2019 | 152,137 | 1,489   | 78,664  | 40,726 | –              | 6,243 | 42              | 15,206         | 9,767           | –      |
| 2018 | 158,004 | 1,489   | 84,757  | 41,375 | –              | 6,390 | 45              | 13,352         | 10,596          | –      |

### Operated gaming devices<sup>7</sup>

|      | Group  | Austria | Germany | Italy | United Kingdom | Spain | The Netherlands | Eastern Europe | Other countries | Online |
|------|--------|---------|---------|-------|----------------|-------|-----------------|----------------|-----------------|--------|
| 2019 | 63,770 | 2,244   | 12,429  | 7,835 | 17,437         | 3,954 | 4,537           | 14,945         | 389             | –      |
| 2018 | 63,319 | 2,244   | 13,171  | 7,641 | 16,400         | 3,760 | 4,525           | 15,212         | 366             | –      |

### Sold gaming devices<sup>8</sup>

|      | Group  | Austria | Germany | Italy | United Kingdom | Spain | The Netherlands | Eastern Europe | Other countries | Online |
|------|--------|---------|---------|-------|----------------|-------|-----------------|----------------|-----------------|--------|
| 2019 | 29,670 | 3,469   | –       | 266   | 772            | 9,607 | 1,000           | 3,491          | 11,065          | –      |
| 2018 | 30,845 | 3,924   | –       | 653   | 391            | 9,538 | 1,081           | 3,097          | 12,161          | –      |

## Segment Analysis

| EUR m             | 2019           | Austria      | Germany      | Italy        | United Kingdom | Spain        | The Netherlands | Eastern Europe | Other countries | Online       |
|-------------------|----------------|--------------|--------------|--------------|----------------|--------------|-----------------|----------------|-----------------|--------------|
| <b>Revenues</b>   | <b>2,607.3</b> | <b>356.3</b> | <b>708.3</b> | <b>384.7</b> | <b>200.2</b>   | <b>156.4</b> | <b>95.9</b>     | <b>375.5</b>   | <b>200.6</b>    | <b>129.3</b> |
| Gaming Technology | 955.0          | 66.4         | 284.1        | 167.5        | 20.6           | 70.2         | 10.8            | 85.5           | 198.6           | 51.3         |
| Gaming Operations | 1,650.0        | 289.9        | 423.9        | 217.2        | 179.6          | 86.3         | 85.1            | 290.0          | 0.0             | 78.1         |
| Other             | 2.3            | 0.0          | 0.3          | 0.0          | 0.1            | 0.0          | 0.0             | 0.0            | 2.0             | 0.0          |

| EUR m             | 2018           | Austria      | Germany      | Italy        | United Kingdom | Spain        | The Netherlands | Eastern Europe | Other countries | Online       |
|-------------------|----------------|--------------|--------------|--------------|----------------|--------------|-----------------|----------------|-----------------|--------------|
| <b>Revenues</b>   | <b>2,585.3</b> | <b>352.5</b> | <b>724.0</b> | <b>401.1</b> | <b>164.6</b>   | <b>152.1</b> | <b>92.8</b>     | <b>375.6</b>   | <b>212.4</b>    | <b>110.2</b> |
| Gaming Technology | 939.9          | 71.9         | 282.5        | 193.5        | 10.7           | 70.7         | 13.2            | 78.3           | 210.7           | 8.5          |
| Gaming Operations | 1,643.6        | 280.6        | 441.5        | 207.6        | 153.8          | 81.4         | 79.7            | 297.3          | 0.0             | 101.7        |
| Other             | 1.8            | 0.0          | 0.0          | 0.0          | 0.1            | 0.0          | 0.0             | 0.0            | 1.7             | 0.0          |

| EUR m             | Change      | Austria    | Germany      | Italy        | United Kingdom | Spain      | The Netherlands | Eastern Europe | Other countries | Online      |
|-------------------|-------------|------------|--------------|--------------|----------------|------------|-----------------|----------------|-----------------|-------------|
| <b>Revenues</b>   | <b>21.9</b> | <b>3.8</b> | <b>-15.8</b> | <b>-16.4</b> | <b>35.7</b>    | <b>4.3</b> | <b>3.0</b>      | <b>-0.1</b>    | <b>-11.8</b>    | <b>19.2</b> |
| Gaming Technology | 15.1        | -5.5       | 1.6          | -26.0        | 9.9            | -0.5       | -2.4            | 7.3            | -12.1           | 42.8        |
| Gaming Operations | 6.3         | 9.3        | -17.6        | 9.6          | 25.8           | 4.8        | 5.4             | -7.4           | 0.0             | -23.6       |
| Other             | 0.5         | 0.0        | 0.3          | 0.0          | 0.0            | 0.0        | 0.0             | 0.0            | 0.3             | 0.0         |

<sup>6</sup> Number to third parties at the end of the period

<sup>7</sup> Number at the end of the period

<sup>8</sup> Number to third parties during the period

## Segment Reporting Contents

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

The Gaming Technology segment comprises the business segment focusing on the development, production, leasing, and sale of gaming equipment, gaming content, and gaming technology. The Gaming Technology segment also includes Group activities in the areas of online and mobile gaming, sports betting, and lottery technology solutions, to the extent this relates to the B2B area.

The Gaming Operations segment comprises the self-operated locations, covering slot arcades, casinos, sports betting outlets, and bingo halls. The Gaming Operations segment also includes Group activities in the areas of online and mobile gaming as well as sports betting, to the extent this relates to the B2C area.

The Other segment includes all activities not included in the Group's core business areas. This segment mainly comprises holding companies.

### Gaming Technology

External revenues in the Gaming Technology segment amounted to EUR 955.0 million in the reporting period, representing an increase of EUR 15.1 million (+1.6 percent) over the previous year's level. The increase compared to 2018 is mainly due to the segment change of a company in the online area, which is now included in the Gaming Technology segment. However, weaker domestic demand from the Australian producer Ainsworth Game Technology Ltd. and the move of an Italian company to a different sector, having been reported under Gaming Technology in 2018, offset this positive effect.

#### Austria

The Gaming Technology segment generated revenue of EUR 66.4 million in 2019, corresponding to a year-on-year decrease of EUR 5.5 million (-7.7 percent). This is mainly due to the drop in sales revenues of NOVOMATIC AG, which fell by EUR 8.8 million on the back of weaker demand, notably as regards sales of gaming machines, construction/conversion kits, and spare parts. NOVOMATIC AG's licensing income increased by EUR 1.8 million.

#### Germany

The focus of the Germany-based Group companies in the Gaming Technology segment is in the area of gaming machine rental. The reduction in market size as a result of the entry into force of the State Treaty Amending Gaming Act in July 2017 is essentially reflected in a reduction in the number of slot arcade concessions per location as well as in closing slot arcades, leading to a reduction in the overall market in 2019. The rental portfolio of gaming machines decreased by around 6,100 units in the reporting period, and rental income declined accordingly. However, this decline in rental income was largely offset by rent increases. At the end of 2019, the NOVOMATIC Group had a market share of around 45.0 percent in Germany in the commercial gaming equipment segment.

Total revenues of the Gaming Technology segment in Germany rose from EUR 282.5 million to EUR 284.1 million (+0.6 percent) in 2019.



## Italy

Italy remains one of the largest gaming markets in Europe with around 265,000 AWP machines in operation and approximately 58,000 VLT units. NOVOMATIC is one of the very few foreign companies that have been successful in establishing a presence in this highly competitive market.

Italy was affected by further regulatory changes in the 2019 fiscal year: the stakes-dependent gaming tax was increased several times and amounted to 7.9 percent (previous year: 6.3 percent) for VLT devices and 21.6 percent (previous year: 19.3 percent) for AWP machines at the end of 2019. Further tax increases have already been decided for 2020 and 2021. The regulatory requirements for gaming operations (distance regulations etc.) have also been further tightened.

The company Admiral Games S.r.l. was allocated to the Gaming Technology segment until it was merged into the company Allstar S.r.l. This merger in 2019 means that the revenue and earnings effects of Admiral Games S.r.l. for the 2019 fiscal year have already been allocated to the Gaming Operations segment. Admiral Games S.r.l. generated revenue of EUR 22.0 million in the previous year.

As a result of this restructuring and the previously mentioned change in the legal framework, revenues of the Italian companies allocated to the Gaming Technology segment fell from EUR 193.5 million in 2018 to EUR 167.5 million (EUR -26.0 million). In addition to lower revenues from the rental of gaming machines, this decline is also due to lower revenues from concessionaire activities. The strong level of sales relating to CPU units adjusted to the tax increases can only partially compensate for these effects.

## United Kingdom

The British market is one of the largest gaming markets in Europe and includes nearly 180,000 gaming machines<sup>9</sup>, which are mostly located in pubs, licensed betting offices (LBOs), slot arcades, casinos, and bingo centers. By lowering the maximum stakes in FOBTs from GBP 100 to GBP 2, a large number of LBOs have been closed. In total, it is expected that around 2,000 of the total of 9,000 licensed betting offices could be closed in the long term. This change in the regulatory conditions has had a positive effect on the business of the NOVOMATIC Group, which only operates AGCs in the United Kingdom.

The technology business in the United Kingdom was sold in 2019. Casino equipment continues to be sold by a new company, generating revenue of EUR 20.6 million in 2019. In comparison to the previous year, this corresponds to an increase of EUR 9.9 million (+92.0 percent).

## Spain

The Spanish market is also one of the largest gaming markets in Europe and therefore represents an important core market for the NOVOMATIC Group. Both the slot arcade and bar sectors are served with a wide range of products, with NOVOMATIC devices becoming increasingly popular in the bar sector and replacing the classic Spanish bar machines with mechanical reels. Compared with 2018, both the number of units sold (9,600 units) and the number of units leased (6,200 units) remained stable in 2019.

Revenues of companies allocated to the Gaming Technology segment in Spain amounted to EUR 70.2 million in the past fiscal year, down EUR 0.5 million on the previous year. This decline is mainly due to the fact that a large number of casino machines were sold in 2018 and which command higher selling prices in contrast to bar or slot arcade machines.

## Netherlands

Revenues of the Dutch companies falling under the Gaming Technology segment did not increase in 2019 and instead fell by EUR 2.4 million to EUR 10.8 million, a fact mainly due to a lower number of roulette gaming machines being sold.

<sup>9</sup> According to UK Gambling Commission industry statistics, accessed on February 11, 2020

### Eastern Europe

Revenues of the companies of the Eastern Europe region falling under the Gaming Technology segment showed a positive development in the 2019 fiscal year and reached a value of EUR 85.5 million, compared to EUR 78.3 million in 2018. This increase of EUR 7.3 million (+9.3 percent) is due, among other things, to the Serbian market, where sales and rental income saw further year-on-year rises (+EUR 3.0 million).

In Moldova, NOVOMATIC holds an exclusive contract with the state lottery for 15 years to serve as its technology partner. The rollout began at the end of November 2018 with a focus on the capital Chisinau; by December 2019, around 1,000 VLT units had already been leased. Revenue of the NOVOMATIC subsidiary NOVO Investment MLD S.R.L. increased by around EUR 1.9 million to EUR 2.0 million.

### Other countries

Revenues of the companies falling under the Gaming Technology segment in the Other markets region reached a level of EUR 198.6 million in 2019, compared to EUR 210.7 million in the previous year (EUR -12.1 million).

The main reason for this decline is to be found in the Australian group Ainsworth Game Technology Ltd., which posted lower sales revenues (EUR -19.8 million) as a result of a decline in sales in the North America and Latin America regions, combined with higher sales reductions (EUR -6.5 million). This was offset by higher income from the rental of gaming machines (EUR +5.2 million), which was generated primarily in the North America and Latin America regions. Overall, the Australian group generated sales of EUR 139.0 million compared with EUR 160.2 million in the previous year (-13.2 percent).

### Online

This segment comprises the online and mobile gaming (B2B) companies of the Greentube Group, a leading international provider of online games and platforms. Games are offered to both licensed operators of real cash online casinos (regular gaming with payout of winnings) and operators of social casinos (with no payout of winnings). Furthermore, the Greentube Group develops system solutions and makes these available to licensed online gaming companies. The range on offer can be scaled as desired by the customer.

The Greentube Group companies falling under the Gaming Technology segment generated revenues of EUR 51.3 million in the 2019 fiscal year, representing an increase of EUR 42.8 million (+506.5 percent) This, however, is largely due to the segment change of Greentube Malta Ltd., which was reported in the Gaming Operations segment at the end of 2018 and has been included under Gaming Technology since 2019. The company generated revenue of EUR 40.2 million (+20.4 percent) in 2019 compared with EUR 33.4 million in the previous year. Without taking this reclassification into account, revenue growth amounted to EUR 2.7 million (+31.4 percent), stemming mainly from the expansion of the B2B customer base. The following country markets were entered in 2019: Switzerland, Portugal, Armenia, Denmark, Croatia, and Czech Republic.

### Gaming Operations

External revenues in the Gaming Operations segment amounted to EUR 1,650.0 million in the reporting year, representing a slight increase in comparison to the previous year (EUR 1,643.6 million). This increase in sales is mainly attributable to the regions comprising the United Kingdom, Italy (due to a segment change), and Austria, although these increases have been negatively impacted by revenue declines in the Online (due to a segment change), Germany and Eastern Europe regions, the latter being due to the loss of the Albanian market.

## Austria

Revenues of all Austrian gaming and betting companies of the NOVOMATIC Group reached a level of EUR 289.9 million in 2019 compared with EUR 280.6 million in the previous year. The increase is primarily attributable to higher betting revenues, which rose by EUR 13.0 million (+9.9 percent) to EUR 143.9 million. In 2018, an amendment was made to the law on the conclusion and handling of bets within a country region. Since this time, bets may only be placed by registered customers, with live betting being completely prohibited. However, this development contributes positively to the growth in the online segment. Gaming machine revenues in 2019 amounted to EUR 146.3 million and thus also improved compared to the previous year (EUR 141.7 million).

A consequence of far-reaching marketing measures to acquire customers and secure customer loyalty was that sales reductions rose significantly from EUR 8.6 million in the previous year to EUR 17.1 million in 2019.

## Germany

The major part of the revenues in the German market is generated in the area of commercial electronic gaming, in which NOVOMATIC has a strong presence.

The implementation of the State Treaty Amending the Gaming Act in July 2017 led to a market reduction, which was reflected in a lower number of gaming machines due to licensing restrictions and the closure of slot arcades. In May 2018, work began on converting the machines in operation to the new TR 5.0 prescribed by the State Treaty Amending the Gaming Act and was completed in November 2018. In addition to being utilized more due to the lower number of gaming machines in the market, the growth in average cash handling transactions per gaming machine in 2019 show customer acceptance of the new gaming machines and their ongoing optimization processes.

The NOVOMATIC Group also has four casinos in Germany. With the venerable Spielbank Berlin, NOVOMATIC operates one of the highest revenue generating live casinos in Germany. The revenue of NOVOMATIC's German casinos improved by EUR 23.2 million (+27.3 percent) to EUR 108.1 million in 2019.

NOVOMATIC is present in the German sports betting market with ADMIRAL Sportwetten GmbH, which has operated its own licensed betting offices in Germany since 2017. The revenues of the Group company tripled compared to 2018 and amount to EUR 2.4 million. It is uncertain how the sports betting market will continue developing until a uniform set of rules is formed by the State Treaty Amending the Gaming Act in 2021.

Revenues of the Group companies in Germany falling under the Gaming Operations segment decreased by EUR 17.6 million (-4.0 percent) compared with 2018 due to the legal situation and amounted to EUR 423.9 million.

## Italy

NOVOMATIC embarked on a program of restructuring in response to the regulatory changes which resulted in mergers of slot arcade operators, while the number of sites and machines in operation was maintained at a constant level despite the legal challenges. In the 2019 fiscal year, the gaming tax was increased again (see Gaming Technology Italy).

Admiral Games S.r.l., which fell under the Gaming Technology segment in 2018, was moved to the Gaming Operations segment in the 2019 fiscal year due to its merger into Allstar S.r.l. In the previous year, Admiral Games S.r.l. generated revenue of EUR 22.0 million.

Revenues of the Italian subsidiaries falling under the Gaming Operations segment increased by EUR 9.6 million (+4.6 percent) from EUR 207.6 million in the previous year to EUR 217.2 million in 2019. Gaming machine revenue, which fell by EUR 13.3 million (-10.1 percent) to EUR 118.5 million due to tax increases, partially offset the positive effect of the change in segment.

### United Kingdom

In April 2019, the maximum stakes in FOBTs were reduced from GBP 100 to GBP 2, meaning that operators of LBOs had to close a large number of their sites. This resulted in a large number of customers deciding to switch to operators of traditional AGCs. This had a positive effect on the business development of the NOVOMATIC Group's operating companies in the United Kingdom. This development also resulted in operators' opening hours being extended and corresponding advertising measures introduced to further strengthen the effect. This change in the law led to revenue rising from EUR 153.8 million in 2018 to EUR 179.6 million in 2019 (+16.8 percent).

### Spain

The majority of revenues in the Gaming Operations segment in Spain are generated by the operating companies in the slot arcade sector. Since the end of 2015, NOVOMATIC has been gradually expanding its market position through organic growth and the acquisition of numerous smaller companies focusing on the operation of slot arcades. Although the pace of growth is slowing down, another 16 slot arcades were opened in 2019. Despite the sale of two casinos in June 2019, revenues saw a further year-on-year increase in the past fiscal year. At EUR 86.3 million, they are now EUR 4.8 million higher than in the 2018 financial year. Adjusted for the sale of the two casinos, revenue growth of EUR 10.8 million (+15.4 percent) to EUR 81.3 million was generated in 2019.

### Netherlands

Revenues of the Dutch companies falling into the Gaming Operations segment increased by EUR 5.4 million to EUR 85.1 million in 2019. This increase is mainly due to newly opened slot arcades and higher average revenues per gaming machine.

### Eastern Europe

Overall, companies falling under this segment generated revenue of EUR 290.0 million in 2019, representing a decline of EUR 7.4 million (-2.5 percent). One reason for the decline in revenues is the comprehensive ban on gaming in Albania, which came into force in January 2019. Around 4,000 sports betting cafés were closed, all electronic casinos had to cease operations, and the online offering ended. NOVOMATIC was represented in this market with 65 locations, which generated revenues of EUR 32.7 million in 2018. This loss of revenue could be offset by positive revenue development in numerous other countries in this region. The markets of Serbia (EUR +5.8 million), Romania (EUR +5.3 million) and Macedonia (EUR +5.2 million) recorded strong growth. In Macedonia, a second casino was opened in Skopje in November 2019.

### Online

The online/mobile B2C market is divided into the segments of Social Casinos (no payout of winnings) and Cash Casinos (regular gaming with payout of winnings). While a phase of consolidation is underway in the Social Casinos market and there is virtually no growth, the area of Cash Casinos continues to display positive momentum. The main reason for this is in the prevailing trend to regulate online gaming in many countries around the world. The expanded offer of Cash B2C products is driving out the Social B2C segment in the regulated markets. There is also currently a trend towards customers moving more from desktop to mobile devices (smartphones, tablets, etc.) so as to use games there.

Since 2019, Greentube Malta Ltd., which was still included in the Gaming Operations segment at the end of 2018, has been part of Gaming Technology. The company generated revenue of EUR 40.2 million in 2019, representing an increase in revenue of EUR 6.8 million (+20.4 percent) compared with EUR 33.4 million in the previous year.

In 2019, the Greentube Group, which belongs to the NOVOMATIC Group, recorded a decline in revenues of EUR 23.6 million (-23.2 percent) to EUR 78.1 million in the Gaming Operations segment in 2019. The decrease is mainly due to the segment change. Excluding the revenue of Greentube Malta Ltd. in 2018, the remaining companies of the Greentube Group in the operating segment recorded an increase in revenues of EUR 9.7 million in 2019. This increase is partly due to the positive development of two platforms of the Greentube Group.

## Net Assets

| EUR m  | 12/31/2019     | 12/31/2018     | Difference absolute | Difference in % |
|--|----------------|----------------|---------------------|-----------------|
| <b>ASSETS</b>  |                |                |                     |                 |
| <b>Non-current assets</b>  |                |                |                     |                 |
| Intangible assets  | 804.8          | 854.5          | -49.7               | -5.8 %          |
| Rights of use assets   | 664.1          | 0.0            | 664.1               | –               |
| Property, plant and equipment  | 1,058.4        | 1,148.8        | -90.4               | -7.9 %          |
| Financial assets   | 289.1          | 326.0          | -36.9               | -11.3 %         |
| Other non-current assets   | 258.1          | 247.0          | 11.1                | 4.5 %           |
|  | <b>3,074.6</b> | <b>2,576.3</b> | <b>498.2</b>        | <b>19.3 %</b>   |
| <b>Current assets</b>  |                |                |                     |                 |
| Inventories  | 263.9          | 294.5          | -30.5               | -10.4 %         |
| Trade receivables, other receivables and assets                                      | 424.8          | 437.7          | -13.0               | -3.0 %          |
| Cash and cash equivalents  | 531.1          | 538.5          | -7.3                | -1.4 %          |
| Other current assets   | 51.4           | 86.0           | -34.6               | -40.2 %         |
| Non-current assets and disposal groups held for sale                                 | 3.6            | 166.0          | -162.5              | -97.9 %         |
|  | <b>1,274.8</b> | <b>1,522.7</b> | <b>-247.9</b>       | <b>-16.3 %</b>  |
| <b>TOTAL ASSETS</b>  | <b>4,349.4</b> | <b>4,099.1</b> | <b>250.3</b>        | <b>6.1 %</b>    |
| <b>EQUITY AND LIABILITIES</b>  |                |                |                     |                 |
| <b>Equity</b>  |                |                |                     |                 |
| Share capital  | 26.6           | 26.6           | 0.0                 | 0.0 %           |
| Capital reserves   | 85.4           | 85.4           | 0.0                 | 0.0 %           |
| Retained earnings  | 1,103.5        | 1,042.2        | 61.3                | 5.9 %           |
| Revaluation reserve  | 43.3           | 82.2           | -38.8               | -47.3 %         |
| Currency translation adjustment  | -70.0          | -89.9          | 19.9                | -22.2 %         |
| Non-controlling interests  | 211.3          | 212.2          | -0.9                | -0.4 %          |
|  | <b>1,400.1</b> | <b>1,358.6</b> | <b>41.4</b>         | <b>3.1 %</b>    |
| <b>Non-current liabilities</b>   |                |                |                     |                 |
| Non-current financial liabilities  | 1,222.1        | 1,574.0        | -351.9              | -22.4 %         |
| Non-current lease liabilities  | 567.9          | 1.5            | 566.4               | >100 %          |
| Non-current provisions   | 77.6           | 95.7           | -18.1               | -18.9 %         |
| Other non-current liabilities  | 127.8          | 158.3          | -30.5               | -19.3 %         |
|  | <b>1,995.4</b> | <b>1,829.5</b> | <b>165.9</b>        | <b>9.1 %</b>    |
| <b>Current liabilities</b>   |                |                |                     |                 |
| Current financial liabilities  | 316.4          | 287.4          | 29.0                | 10.1 %          |
| Current lease liabilities  | 121.1          | 0.9            | 120.2               | >100 %          |
| Trade payables and other liabilities   | 439.2          | 461.1          | -21.9               | -4.7 %          |
| Other current liabilities  | 77.2           | 109.1          | -31.9               | -29.3 %         |
| Liabilities directly related to non-current assets and disposal groups held for sale | 0.0            | 52.4           | -52.4               | -100.0 %        |
|  | <b>953.9</b>   | <b>910.9</b>   | <b>42.9</b>         | <b>4.7 %</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>4,349.4</b> | <b>4,099.1</b> | <b>250.3</b>        | <b>6.1 %</b>    |

| Key figures on net worth and financial position | 2019<br>incl. IFRS 16 | 2019<br>excl. IFRS 16 | 2018    |
|---|-----------------------|-----------------------|---------|
| Net debt (in EUR m)                             | 1,652.6               | 964.0                 | 1,271.1 |
| Gross debt (in EUR m)                           | 2,227.5               | 1,538.9               | 1,863.8 |
| Working capital (in EUR m)                      | 321.0                 | 445.4                 | 611.8   |
| Equity ratio                                    | 32.2 %                | 38.3 %                | 33.1 %  |
| Net gearing ratio                               | 2.4                   | 1.8                   | 2.3     |
| ROCE  | 4.9 %                 | 5.5 %                 | -4.3 %  |

Net debt is calculated as the sum of current and non-current financial liabilities, as well as lease liabilities, less cash and cash equivalents, and precious metals. Working capital is the difference between current assets and current liabilities. Equity ratio exhibits the portion of equity to total capital. Gross debt is calculated as the sum of current and non-current financial liabilities and lease liabilities. Net gearing ratio corresponds to the portion of net debt in relation to operating result added back depreciation and amortization, impairment and reversal of impairment (EBITDA). ROCE is the portion of EBIT in relation to the sum of equity and long-term liabilities.

The balance sheet total rose by EUR 250.3 million compared to the figure on December 31, 2018, amounting to EUR 4,349.4 million as of December 31, 2019 (+6.1 percent).

Non-current assets increased by 19.3 percent to EUR 3,074.6 million. As a result of the first-time application of IFRS 16 standards, rights of use were recognized in the amount of EUR 664.1 million.

Property, plant and equipment decreased compared to 2018 (-7.9 percent), totaling EUR 1,058.4 million in 2019. The decline is due in particular to the increased depreciation of equipment in Germany, reflective of the considerable levels of investment in converting machines as per TR 5.0.

At EUR 804.8 million, intangible assets also showed a lower value than in the previous period (-5.8 percent), a fact mainly due to the lower concessions and licenses line item as a result of ongoing amortization in the Italian (EUR -20.7 million), Spanish (EUR -10.8 million), and German (EUR -10.7 million) markets.

Financial assets mainly comprise minority interests in the Austrian gaming companies Casinos Austria AG and Österreichische Lotterien GmbH. This item decreased by EUR 36.9 million (-11.3 percent) in the reporting year compared to 2018 due to valuation effects connected to the sale of shares in Casinos Austria AG, and amounts to EUR 289.1 million.

Under current assets, non-current assets and sales groups classified as held for sale decreased by EUR 162.5 million due to the companies being sold in the United Kingdom, Croatia, and Spain on October 1, 2019 (-97.9 percent). Inventories amounted to EUR 263.9 million (-10.4 percent) in 2019, with the decrease being mainly due to high write-downs on machines. Income tax receivables amounted to EUR 23.0 million (-56.1 percent) in 2019 compared with EUR 52.5 million in the previous reporting period. The decline is mainly attributable to the German and Italian markets. Overall, current assets decreased by EUR 247.9 million (-16.3 percent) to EUR 1,274.8 million in 2019.

Equity increased by EUR 41.4 million (+3.1 percent) to EUR 1,400.1 million during the reporting period. While the revaluation reserve item declined by EUR 38.8 million (-47.3 percent) to EUR 43.3 million as of December 31, 2019, mainly due to the valuation of shares in Casinos Austria AG, revenue reserves of EUR 1,103.5 (+5.9 percent) million were a main factor behind the increase in equity. Currency translation adjustments also rose by EUR 19.9 million (+22.2 percent) to EUR -70.0 million.

The increase in non-current liabilities by EUR 165.9 million (+9.1 percent) to EUR 1,995.4 million in 2019 is primarily due to the first-time recognition of lease liabilities of EUR 567.9 million in accordance with IFRS 16. This increase is offset by a decrease in non-current financial liabilities of EUR 351.9 million stemming from a reclassification to current financial liabilities.

Current liabilities increased by EUR 42.9 million (+4.7 percent) to EUR 953.9 million during the period under review. The main reason for this is current leasing liabilities in accordance with IFRS 16, which amounted to EUR 121.1 million in 2019. Current financial liabilities rose by EUR 29.0 million (+10.1 percent) to EUR 316.4 million. While the repayment of a bond reduced current financial liabilities, the reclassification from non-current financial liabilities increased this item. Liabilities from assets classified as held for sale decreased by EUR 52.4 million (-100.0 percent) due to the sale of the Group companies in Croatia and the majority of the technology business in the United Kingdom, which was completed in 2019.

The utilization of the credit line of EUR 1.0 billion amounted to EUR 160.0 million as at Tuesday, December 31, 2019.

## Non-Current Assets and Disposal Groups Held for Sale

Due to the following circumstances, the classification, presentation and measurement provisions of IFRS 5 had to be applied, through which several Group companies were presented as non-current assets and sales groups classified as held for sale or discontinued operations in the Consolidated Financial Statement for 2019. Accordingly, the assets and liabilities were reported separately in the balance sheet and the result from the discontinued operations in the income statement.

The sale of the British companies falling under the Gaming Technology segment was concluded in the 2019 fiscal year. Accordingly, no "non-current assets and sales groups classified as held for sale" or "liabilities directly associated with non-current assets and sales groups classified as held for sale" were left as of the balance sheet date December 31, 2019. "Non-current assets and sales groups classified as held for sale" in the amount of EUR 108.0 million and "Liabilities directly associated with non-current assets and sales groups classified as held for sale" in the amount of EUR 43.8 million were still recognized for the sold business segment as of December 31, 2018. The sale resulted in a deconsolidation loss of EUR 16.2 million for the Group.

In the fourth quarter of 2018, the management decided to sell the companies in Croatia. The Group companies concerned are allocated to all three functional segments of the NOVOMATIC Group and, at the balance sheet date on December 31, 2018, reported "non-current assets and sales groups classified as held for sale" in the amount of EUR 52.6 million and "Liabilities directly associated with non-current assets and sales groups classified as held for sale" in the amount of EUR 5.7 million. As the sale was completed in the first half of 2019, no assets remained on the balance sheet at the end of 2019. The sale resulted in a deconsolidation loss of EUR 2.9 million for the Group.

Furthermore, the decision was taken in the 2018 fiscal year to sell the two Spanish casinos as well as an Austrian property not required for operations. "Non-current assets and sales groups classified as held for sale" in the amount of EUR 5.4 million and "Liabilities directly associated with non-current assets and sales groups classified as held for sale" in the amount of EUR 2.9 million were recognized as of December 31, 2018. Following the sale of the Spanish casinos in the 2019 fiscal year, "Non-current assets and sales groups classified as held for sale" in the amount of EUR 3.6 million remained on the balance sheet as of December 31, 2019.

## Financial Position

| EUR m                                | 2019   | 2018   | Change absolute | Change % |
|--------------------------------------|--------|--------|-----------------|----------|
| EBIT                                 | 167.4  | -138.6 | 305.9           | 220.8 %  |
| Cash flow from operating activities  | 606.7  | 483.3  | 123.4           | 25.5 %   |
| Cash flow from investing activities  | -74.0  | -714.5 | 640.5           | 89.6 %   |
| Free cash flow                       | 532.7  | -231.1 | 763.8           | 330.3 %  |
| Cash flow from financing activities  | -551.4 | -143.7 | -407.7          | -283.7 % |
| Changes to cash and cash equivalents | -7.3   | -361.2 | 353.9           | 98.0 %   |



Across the Group, cash flow from operating activities totaled EUR 606.7 million in 2019, compared to EUR 483.3 million the previous year. First-time application of IFRS 16 standards led to a reduction of EUR 144.3 million in Group rental expenses. The operating result increased by EUR 305.9 million to EUR 167.4 million, mainly as a result of lower levels of depreciation, amortization, and impairment losses than in the same period of the previous year. Moreover, income tax payments of EUR 42.6 million in the 2019 fiscal year were EUR 69.9 million lower than in the previous year, due in particular to the lower earnings in the assessment period deviating from the period under review. The change in working capital is considered to have an offsetting, and thus cash-reducing, effect. This change resulted in a cash outflow of EUR 44.5 million in the 2019 fiscal year. In particular, the increase in receivables and other assets (EUR 41.8 million) and the repayment of liabilities and other liabilities (EUR 24.2 million) were responsible for the reduced cashflow from operating activities. In the previous year, the change in working capital resulted in a cash inflow of EUR 16.3 million.

Cash flow from investing activities amounted to EUR -74.0 million in the reporting year, compared with EUR -714.5 million for 2018. The "Acquisition of consolidated companies, net of cash" item is particularly noteworthy here. While there were minor cash outflows of EUR 12.7 million for the acquisition of consolidated companies in the 2019 fiscal year, the previous year saw a significant increase in cash and cash equivalents, particularly as a result of the acquisition of the shares in Ainsworth Game Technology Ltd. (EUR 294.7 million<sup>10</sup>), cash outflows totaling EUR 313.1 million were reported in this item. In addition, investments in intangible assets and property, plant and equipment decreased by EUR 232.2 million in the reporting period. The lower cash outflow is attributable to the current consolidation efforts. Another positive effect is attributable to the sale of the subsidiaries in United Kingdom and Croatia. In total, disposals generated cash inflows of EUR 151.6 million, compared with EUR 34.5 million in the same period of the previous year.

The cash flow from financing activities increased compared with the previous year's period (EUR -143.7 million) and amounted to EUR -551.4 million in the 2019 fiscal year. There are two main reasons behind this development. On the one hand, the repayment of a bond in the amount of EUR 246.0 million is responsible for the year-on-year difference, and on the other hand, payments from lease liabilities were included due to the first-time application of the IFRS 16 standard, which increased the cash outflow from financing activities by a further EUR 147.3 million. Loan repayments of EUR 79.7 million went up by EUR 29.7 million in the reporting period compared with the previous year.

#### (4) Non-Financial Performance Indicators

Regarding the reporting of the consolidated non-financial statement, reference is made to the separate, consolidated non-financial report of NOVOMATIC AG according to the Sustainability and Diversity Improvement Act (NaDiVeG).

#### (5) Prospective Development of the Group

In its latest analysis, the International Monetary Fund (IMF) assumes a global growth rate of 3.4 percent<sup>11</sup> for 2020, representing a 0.4 percent rise year-on-year. In the gaming market, the GGY is expected to increase by 3.8 percent<sup>12</sup>.

NOVOMATIC has pursued a growth strategy in recent years aimed at occupying market leadership positions in large, regulated gaming markets. In the 2019 fiscal year, NOVOMATIC successfully focused on consolidating existing investments and increasing synergies, a course which will be continued in 2020.

Changes in the gaming laws and tax conditions in the countries in which the NOVOMATIC Group operates have had a significant impact on NOVOMATIC's business.

<sup>10</sup> Including 616 Digital LLC, a company consolidated using the equity method

<sup>11</sup> According to the World Economic Outlook 2019 provided by the International Monetary Fund (IMF)

<sup>12</sup> According to the Global Gambling Report of the GBGC, September 2019

The market reduction in Germany resulting from the State Treaty Amending the Gaming Act is to be compensated for in 2020 by higher machine utilization rates and positive acceptance of the new machines.

The Italian gaming market, a core market of the NOVOMATIC Group, will continue to be characterized by legal changes and tax increases in 2020. A further increase in gaming tax has been resolved for the coming fiscal year. With effect from January 1, 2020, the gaming tax for VLT devices will be 8.5 percent and for AWP devices 23.9 percent of the stake. It is expected that this tax increase will be offset, after some time, by a reduction in the payout ratio.

Following a change in the law in 2019, the reduction in minimum stakes in FOBTs triggered an exceptionally positive development for operating business in the United Kingdom. It is to be expected that this trend will continue in the future, thus enabling a positive business development to continue. A major legislative change is also planned for 2020, in which corporation tax rates will be reduced to 17.0 percent from April (currently rates are 19.0 percent).

In the Netherlands, the Supreme Court has ruled that a general ban on smoking in restaurants and bars must come into force from April 1, 2020. A regulated online gaming market from January 2021 is under discussion, as are further increases in gambling taxes.

In 2020, the strategy of opening up the highly competitive US market will be continued. Since PASPA (Professional and Amateur Sports Provision Act 1992) was repealed in 2018, a growing number of states have been gradually legalizing the sports betting sector. Illinois, the domestic market for NOVOMATIC Americas, is expected to approve the necessary licenses before the end of the first quarter of 2020, and 13 other states are expected to legalize sports betting by the end of 2020. There are also discussions in other states regarding the legalization of video gaming terminals as per the approach being taken in Illinois. Given the liberalization of the gaming market in the USA, NOVOMATIC sees clear potential to successfully serve the market.

Following the numerous acquisitions made in recent years, Spain is set to embark on a course of consolidation in 2020 and stable revenue growth is expected.

Consolidation and optimization measures will continue to focus on cost efficiency and the exploitation of synergy effects in 2020.

## (6) Risk Management

Within the scope of its business, the NOVOMATIC Group is subject to a number of risks which inevitably arise in connection with entrepreneurial activities. Risk management, as it is understood and applied within the NOVOMATIC Group, aims at both securing the long-term existence of the company and increasing the added value. It therefore represents a major factor in the Group's success.

### Risk Management System

NOVOMATIC engages in extensive risk management that involves all major Group companies. The risk management system aims at systematically identifying, evaluating, controlling, monitoring and documenting material risks and risks directly jeopardizing the company's existence in order to ensure achievement of the corporate objectives and to increase risk awareness within the Group.

All risks, which are determined and analyzed systematically, are recorded within a professional, IT-based risk management system which ensures that risks, as well as the assigned management measures and control mechanisms are monitored on a permanent basis.

For continued monitoring of the risk situation and to ensure active controlling, the risks are assigned to the responsible individuals within the individual corporate areas and Group companies. It lies within the responsibilities of the risk officers to define and implement measures aimed at dealing with the individual risks, to document emergent risks, and to perform reassessments of the

identified risks at regular, defined intervals. Central risk management supports the individual areas in a consulting function and ensures the continuous updating and further development of the risk management system.

## Compliance

In addition to the types of risk described below, there are also threats related to the reputation and the competitiveness of the company as a whole. As one of the basic principles of entrepreneurial activities, NOVOMATIC pays particular attention to compliance with statutory and ethical regulations.

The term "compliance" is used to describe all measures with which the company ensures that laws, regulations and voluntary codes are adhered to. NOVOMATIC's compliance activities focus mainly on measures aimed at ensuring that national and international laws on the avoidance of criminal acts, such as corruption, market abuse, money laundering and misuse of data are adhered to.

The Group's compliance management system is based on the seven core elements of the German audit standard for compliance management systems, IDW PS 980, and pursues the goal of ensuring compliance with legal provisions and corporate values set out in the Code of Conduct of NOVOMATIC AG. In the Code of Conduct, employees find guidelines and principles for valuesbased and lawful behavior during day-to-day business activities. This Code of Conduct also provides the basis for training activities related to integrity and compliance. Depending on the risk and the target group, training sessions requiring personal attendance, as well as web-based training events, are held. In-house-developed e-learning tools allow a large number of employees to be educated on issues such as data protection or the fight against corruption.

All major subsidiaries have appointed compliance officers for each country or region. The relevant duties of the local compliance managers are defined as binding in a separate Group guideline and include in particular advising the local Group subsidiaries on compliance issues, monitoring local law, training employees, implementing Group guidelines and reporting to Group Legal Compliance. This is intended to make a significant contribution to ensuring that ethical and rule-abiding behavior is sustainably anchored throughout the entire Group.

## Significant Risks and Uncertainties

The following is a detailed description of the risks and uncertainties that can have a major influence on the net assets, financial and earnings position as well as the reputation of the NOVOMATIC Group.

### Business and Market Risks

#### General economic conditions, M&A risks, innovation risks, and IT risks

The NOVOMATIC Group's business is dependent on general economic conditions. A deterioration of general economic conditions, increasing unemployment, declining real incomes and increased volatility in the capital markets, could have a significant negative impact on the net assets, financial and earnings positions of the NOVOMATIC Group.

A central element of the NOVOMATIC Group's growth strategy is the geographic diversification of its business by entering markets that offer opportunities for growth. There is a risk that in the future, for various reasons including legal conditions, the NOVOMATIC Group may not or may only to a limited extent be able to pursue this course of expansion, or may not be able to expand its product and/or service offerings.

The NOVOMATIC Group generates the majority of its revenues in a limited number of markets. As these are relatively well-developed markets, further growth opportunities are rather limited. The NOVOMATIC Group plans to expand its business activities in other markets, an effort for which considerable resources are being deployed. There is a risk that the anticipated growth

in these countries and regions will not be realized, and/or that the NOVOMATIC Group will not be successful in implementing its strategies there.

Generally speaking, the gaming industry is characterized by rapid technological development, which forces the NOVOMATIC Group to continuously develop new products and enter new markets. The NOVOMATIC Group's success therefore depends on its ability to continuously enhance the development of its products and systems in order to integrate new technologies and expand into new markets created by new technologies. In a highly technology-dependent field of business where new technologies are developed or used within short innovation cycles, there is a risk that NOVOMATIC may not recognize innovative technologies and developments at a sufficiently early stage.

By the same token, the integrity, reliability and operative performance of the NOVOMATIC Group's IT systems are essential to the business. In particular, device manipulation could force the NOVOMATIC Group to use considerable financial resources to remedy the situation.

In the wake of the coronavirus crisis that broke out in the first quarter of 2020, the Group faces a whole host of challenges and restrictions in many countries due to various restrictions being imposed. The Gaming Operations segment is directly affected by the temporary closure of gaming facilities and the Gaming Technology segment by the reduction in the production of machines. In March 2020, around 75 percent of the gaming facilities in the European countries in which the Group operates were temporarily closed.

It is not yet possible to assess the extent of the impact of the coronavirus on the 2020 Financial Statement. The forecasts in place for global economic growth are subject to the proviso that the actual impact of the coronavirus on the economy in 2020 cannot yet be estimated. The key factor here will ultimately be the length of supply chain delays for gaming machine production caused by the virus along with the temporary closures of slot arcades and casinos. As things look today, however, it is likely that the Group's net assets, financial and earnings position will be negatively affected by the coronavirus crisis.

## Personnel Risks

### Key Personnel Risks, Knowledge Risk

NOVOMATIC's business success comes thanks to the existing knowledge and expertise of its management and employees. Should one or several individuals in key positions leave the company, there is a risk that NOVOMATIC might not be able to recruit qualified individuals with comparable know-how within an appropriate period of time to deal with emerging challenges.

## Legal and Political Risks

### Political Instability, Regulatory Changes: Gaming and Other Laws, Dependency on Licenses and Competition Regulations; Intellectual Property, Privacy

The NOVOMATIC Group's international business entails economic, political, legal and other risks. The NOVOMATIC Group conducts business in more than 70 countries. Some of these countries are politically or economically unstable which subjects NOVOMATIC to certain risks. Social unrest or strikes could force the NOVOMATIC Group to interrupt or halt its business activities.

The gaming industry is subject to particularly frequent and sudden legal amendments that can make business significantly more difficult or prohibit it entirely. Insufficient legal or administrative conditions in some countries can furthermore provide insufficient protection for NOVOMATIC AG's intellectual property or other rights. In some of these countries, crime and corruption are widespread, which could have a negative impact on NOVOMATIC AG's business.

The NOVOMATIC Group operates on the basis of currently prevailing political, economic, legal, and fiscal conditions, and is subject to the risk of changes to legal and taxation-related framework conditions. Changes which have already been adopted or other restrictions in other jurisdictions (e.g. gaming tax hikes or stricter competition laws) also have a sustained impact on the NOVOMATIC Group's business activities.

Gaming, and in particular online gaming, is currently not harmonized at the EU level. The individual legal frameworks of the EU Member States are, in some cases, disputed among gaming law experts. There is a risk that, in the future, limitations with regard to gaming and betting could be implemented at a national level. In addition to this, regulatory measures (e.g. access restrictions, stricter player protection measures, provisions for the protection of non-smokers, technical requirements, advertising bans or location requirements) could be introduced. Such measures could result in a decline in the number of visitors and the revenues earned.

There continue to be risks due to the dependence on national licenses, regulations on competition and statutory provisions regarding the operation of gaming and betting facilities as well as risks due to the dependence on production, sales and product licenses: In the countries where the NOVOMATIC Group does business, the operation of gaming and betting facilities requires a license, concession or other type of permission from the authorities in charge. Such licenses/concessions are usually granted for a limited period of time or in the form of license agreements with limited duration. Should no option for prolongation be provided or if an extension were only possible under economically unacceptable or untenable conditions or requirements, the NOVOMATIC Group would need to participate in new tender procedures in order to recover such a license/concession.

Moreover, in the countries where the NOVOMATIC Group does business, a permit from a state gaming authority is frequently required in order to be able to sell gaming machines and other gaming products and services. Both manufacturing and sales licenses are generally granted for a limited period of time and are subject to an audit plus subsequent certification by the competent inspecting authorities. Once licenses have been granted, they are usually extended automatically, provided that all license requirements are met. The possibility cannot be excluded that, despite the utmost care, legal provisions, regulatory requirements, technical standards or licensing conditions may not be complied with within the NOVOMATIC Group, which could result in the partial or complete withdrawal of a license, the determination of breaches of competition laws, or other types of damage to the NOVOMATIC Group's net assets, financial and earnings positions or reputation.

The NOVOMATIC Group develops, produces and sells sophisticated technological gaming equipment and systems that are to a large extent protected by industrial property rights such as trademark protection rights, patent rights and rights for the protection of registered designs, as well as copyright. There is a risk in respect of intellectual property (third parties violating industrial property rights or copyrights belonging to the NOVOMATIC Group, as well as of the NOVOMATIC Group violating the industrial property rights or copyrights of third parties). In particular, there is a risk that developments owned by the NOVOMATIC Group might be copied and illegally used or introduced to the market by third parties.

The NOVOMATIC Group is subject to the risk of being unable to sufficiently protect its customer data. The NOVOMATIC Group holds information about its customers which is in part sensitive (name, address, age, bank data and gaming tendencies) and must follow the strict data protection rules stipulated by the EU and other jurisdictions. Despite the security systems implemented by the NOVOMATIC Group, there is the risk that customer data could be retrieved and/or used illegally, either by employees or by customers or third parties. There is also the risk that customer data might be deleted, disclosed or edited involuntarily or in violation of data protection regulations. Should the NOVOMATIC Group or one of its external service providers transmit customer data without sufficient protection, or should confidential customer data be lost in any other way, the NOVOMATIC Group might be held liable under data protection laws, which would also damage the Group's reputation.

## Financial Risks

### Liquidity Risks, Counterparty Risks, Interest Rate Risks, Currency Risks, Impairment Risks in Connection with Investment Valuations and Risks in Connection with Capital Investments

The NOVOMATIC Group is subject to financial risks in the form of capital risks, liquidity risks, counterparty risks, interest rate risks, currency risks, impairment risks related to investment valuations and risks related to capital investments. In order to limit these risks, NOVOMATIC makes use of financial instruments, if necessary.

Extensive descriptions of the individual risks, including the methods used to hedge the risks mentioned above, are provided in the notes to the consolidated financial statement.

## **(7) Important Features of the Internal Control System Relevant to the Financial Reporting Process**

As part of the Company's risk management system, the aim of the internal control system (ICS) is to ensure the reliability of financial reporting along with compliance with legal and internal requirements.

NOVOMATIC AG's Executive Board is responsible for the establishment of an appropriate ICS concerning the accounting process. In order to evaluate the appropriateness and effectiveness of this internal control system, the Executive Board has instructed the internal audit department to continuously analyze the main processes, respective related risks and existing control measures, and to report the results to the Executive Board.

Starting with the main financial items on the balance sheet and income statement, the ICS must consider the most important transaction flows in terms of their risks. The ICS is managed in a structured way in line with the areas of responsibility as defined by the organizational structure. Internal rules and procedural guidelines are also an essential part of the control environment.

In order to avoid material misstatements when presenting transactions, any identified risks are analyzed and assessed with a view to introducing meaningful and effective control mechanisms to ensure accuracy in the ongoing accounting process. As part of the activities involved in preparing the annual report, additional targeted risk analyses are carried out to ensure that accounts are closed properly and carefully.

In accordance with the transaction flows defined as significant, which then are ultimately included in the finance division's financial reports, workflows are analyzed with regard to their inherent risks and corresponding control activities are defined. The aim of this procedural approach is to ensure that the individual transactions are correctly recorded in the annual financial statement. The various controls of varying degrees and intervals comprise automated controls in the accounting software on the one hand and manual controls by employees in accounting and the departments upstream of the accounting process on the other. The accounting department carries out extensive plausibility and data quality checks, among other things, to ensure that data destined for the annual report is correctly recorded. The accounting department also draws on the support of external service providers for some matters that require specialized knowledge, such as the valuation of pension obligations and entitlements to severance pay. Any changes in accounting and valuation policies are reviewed to ensure that they are in compliance with the law.

For the accounting-related IT system, access privileges have been defined to ensure that sensitive data is protected from unauthorized access, use and modification.

The Executive Board keeps abreast of relevant developments through regular reports prepared by the financial department. This includes, above all, the development of current earnings as well as any detected major deviations from the approved annual budget, calculation of the cash flow, as well as calculation of the result and value-oriented key figures.

The Supervisory Board is also included in the control system via the auditing committee. The auditing committee's main responsibilities include monitoring the accounting process, monitoring the internal control and risk management system, monitoring the audit of the financial statement and critically appraising the audited financial statement, as well as the management report.

Monitoring of compliance with ongoing accounting processes (with the exception of the preparation of the annual financial statement) is performed by the Group's auditing department.

## **(8) Research and development**

Thanks to its numerous technology centers, the NOVOMATIC Group is a pioneer in the development of innovative products and system solutions in the area of gaming. The Group's development activities focus both on "Distributed Gaming Solutions" and on gaming content and application software. The developed software system solutions include management information systems, ticketing and smart card systems, access systems, video lottery systems, biometric player recognition, links to government regula-

tors, player protection programs, “gaming as a service”, online and mobile gaming system solutions, jackpot systems, multiplayer and community gaming systems, as well as tournament systems. Both the modular software architecture and the various developments’ interoperability are crucially important.

Development activities should be equally efficient for both homogeneous markets and highly specialized niche markets. This is ensured by open platform architecture and development teams that are specialized in individual market segments. The open platform infrastructure allows for the integration of third-party providers and their gaming applications to be able to satisfy market needs in a better and faster manner.

In developing the newest generation of cabinet variants and models, which start new industry trends, industrial design is an extremely important factor. Innovation in terms of hardware includes new and ergonomic cabinet designs for casino, video lottery and AWP gaming markets with control possible of up to four monitors, skill-based roulette terminals with state-of-the-art ball release mechanisms, the new PANTHERA™ cabinet, as well as V.I.P. terminals with giant screen technology and dynamic lighting effects based on single LED technology. In terms of data security, increasing emphasis is being placed on physical random number generators that use quantum mechanics.

Linked Progressive Jackpots are another addition to the games on offer. It was thus possible to successfully establish new jackpot families such as “Thunder Cash” for the US market and “Cash Connection” for the European market.

Development of the game was supported by internal hardware and software development teams, as well as close partners from Austria, Germany, the United Kingdom, the Netherlands, Greece, Serbia, Slovakia, Spain, Poland, Russia, Argentina, Canada, Australia and the USA, as well as by means of an exclusive partnership with developers in Slovenia.

The global importance of intellectual property protection is on the rise. With approx. 4,700 registered IP trademarks and in excess of 100 registrations per year, special attention is paid to this area. The Group is constantly developing new products and product variations, resulting in over 200 new gaming variants per year. With the help of the software development kit (SDK), it is possible to add games developed by third parties (who use this SDK) to the portfolio immediately.

NOVOMATIC’s innovative strength receives frequent public recognition in the form of awards. At the ICE 2019 in London, not only did the Company win the “World Exhibition Stand Award” for its unique trade fair presence, but it was also once again crowned “Casino Supplier of the Year”.

## (9) Acknowledgments

We would like to thank all employees of the NOVOMATIC Group for their strong commitment, with which they have made a major contribution to the company’s further development and success. We are especially indebted to the Supervisory Board under the leadership of Dr. Bernd Oswald – they have contributed significantly to the positive development of the NOVOMATIC Group. We would also like to acknowledge the positive relationships with our capital providers and business partners, relationships which have always been characterized by a pleasant collaboration.

Gumpoldskirchen, March 23, 2020



**Ryszard Presch**

Member of the Executive Board



**Johannes Gratzl**

Member of the Executive Board



## Consolidated Balance Sheet as of December 31, 2019

| EUR m  | Notes      | 12/31/2019     | 12/31/2018     |
|--|------------|----------------|----------------|
| <b>ASSETS</b>  |            |                |                |
| <b>Non-current assets</b>  |            |                |                |
| Intangible assets  | (7.1, 7.4) | 804.8          | 854.5          |
| Right-of-use assets  | (7.2)      | 664.1          | 0.0            |
| Property, plant and equipment  | (7.3, 7.4) | 1,058.4        | 1,148.8        |
| Investment property  | (7.5)      | 28.5           | 14.7           |
| Investments in associated companies  | (7.6)      | 2.1            | 2.9            |
| Financial assets   | (7.7)      | 289.1          | 326.0          |
| Deferred tax assets  | (7.8)      | 118.5          | 121.2          |
| Other non-current assets   | (7.9)      | 109.1          | 108.1          |
|  |            | <b>3,074.6</b> | <b>2,576.3</b> |
| <b>Current assets</b>  |            |                |                |
| Inventories  | (7.10)     | 263.9          | 294.5          |
| Trade receivables, other receivables and assets                                      | (7.11)     | 424.8          | 437.7          |
| Current tax receivables  | (7.8)      | 23.0           | 52.5           |
| Current financial assets   | (7.12)     | 28.4           | 33.5           |
| Cash and cash equivalents  | (7.13)     | 531.1          | 538.5          |
| Non-current assets and disposal groups held for sale                                 | (6, 8.17)  | 3.6            | 166.0          |
|  |            | <b>1,274.8</b> | <b>1,522.7</b> |
| <b>Total ASSETS</b>  |            | <b>4,349.4</b> | <b>4,099.1</b> |
| <b>EQUITY AND LIABILITIES</b>  |            |                |                |
| <b>Equity</b>  |            |                |                |
| Share capital  | (7.14)     | 26.6           | 26.6           |
| Capital reserves   | (7.15)     | 85.4           | 85.4           |
| Retained earnings  | (7.16)     | 1,103.5        | 1,042.2        |
| Revaluation reserve  | (7.17)     | 43.3           | 82.2           |
| Currency translation adjustment  | (7.18)     | -70.0          | -89.9          |
|  |            | <b>1,188.8</b> | <b>1,146.4</b> |
| Non-controlling interests  | (7.19)     | 211.3          | 212.2          |
|  |            | <b>1,400.1</b> | <b>1,358.6</b> |
| <b>Non-current liabilities</b>   |            |                |                |
| Non-current financial liabilities  | (7.20)     | 1,222.1        | 1,574.0        |
| Non-current lease liabilities  | (7.21)     | 567.9          | 1.5            |
| Non-current provisions   | (7.22)     | 77.6           | 95.7           |
| Deferred tax liabilities   | (7.8)      | 121.4          | 140.6          |
| Other non-current liabilities  | (7.23)     | 6.3            | 17.6           |
|  |            | <b>1,995.4</b> | <b>1,829.5</b> |
| <b>Current liabilities</b>   |            |                |                |
| Current financial liabilities  | (7.24)     | 316.4          | 287.4          |
| Current lease liabilities  | (7.25)     | 121.1          | 0.9            |
| Current provisions   | (7.26)     | 55.8           | 65.9           |
| Current tax liabilities  | (7.8)      | 21.4           | 43.2           |
| Trade payables and other liabilities   | (7.27)     | 439.2          | 461.1          |
| Liabilities directly related to non-current assets and disposal groups held for sale | (6, 8.17)  | 0.0            | 52.4           |
|  |            | <b>953.9</b>   | <b>910.9</b>   |
| <b>Total EQUITY AND LIABILITIES</b>  |            | <b>4,349.4</b> | <b>4,099.1</b> |

## Consolidated Profit and Loss Account for Financial Year 2019

| EUR m   | Notes  | 2019           | 2018                 |
|---|--------|----------------|----------------------|
| Revenues  | (8.1)  | 2,607.3        | 2,585.3 <sup>1</sup> |
| Gaming taxes and betting fees   | (8.2)  | -312.3         | -297.1               |
| <b>Revenues less gaming taxes and betting fees</b>  |        | <b>2,295.0</b> | <b>2,288.2</b>       |
| Changes in inventories of finished goods and work in progress   | (8.3)  | 16.9           | 24.8 <sup>1</sup>    |
| Own work capitalized  | (8.3)  | 69.8           | 279.8                |
| Other operating income  | (8.4)  | 97.8           | 73.6 <sup>1</sup>    |
| Cost of material and other purchased services   | (8.5)  | -326.2         | -495.5 <sup>1</sup>  |
| Personnel costs   | (8.6)  | -772.8         | -755.1 <sup>1</sup>  |
| Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property | (8.7)  | -387.8         | -687.0 <sup>1</sup>  |
| Amortization, depreciation, impairment and reversal of impairment for right-of-use assets   | (8.8)  | -130.2         | 0.0                  |
| Other operating expenses  | (8.9)  | -695.3         | -867.3 <sup>1</sup>  |
| <b>Operating profit</b>   |        | <b>167.4</b>   | <b>-138.6</b>        |
| Share of profit/loss of associated companies  |        | -0.5           | 0.2                  |
| Interest income   | (8.10) | 9.0            | 10.5 <sup>1</sup>    |
| Other financial income  | (8.11) | 36.0           | 13.1                 |
| Interest expenses   | (8.12) | -28.8          | -36.8                |
| Interest expenses for leases  | (8.13) | -19.9          | 0.0                  |
| Other financial expenses  | (8.14) | -13.6          | -22.5 <sup>1</sup>   |
| Currency exchange gains/losses from intra-group financing   | (8.15) | 0.8            | 7.9                  |
| <b>Financial result</b>   |        | <b>-16.9</b>   | <b>-27.5</b>         |
| <b>Earnings before taxes</b>  |        | <b>150.4</b>   | <b>-166.1</b>        |
| Tax expenses  | (8.16) | -46.5          | 33.5 <sup>1</sup>    |
| <b>Net result from continued operations</b>   |        | <b>103.9</b>   | <b>-132.6</b>        |
| Result from discontinued operations   | (8.17) | -6.6           | -22.3 <sup>1</sup>   |
| <b>Annual result</b>  |        | <b>97.3</b>    | <b>-154.9</b>        |
| thereof attributable to non-controlling interests   |        | 8.5            | -44.1                |
| thereof attributable to shareholders of the parent (net profit)   |        | 88.8           | -110.9               |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

## Consolidated Statement of Comprehensive Income for the 2019 Fiscal Year

| EUR m   | Notes        | 2019         | 2018          |
|---|--------------|--------------|---------------|
| <b>Annual result</b>  |              | <b>97.3</b>  | <b>-154.9</b> |
| <b>Amounts that will be reclassified to profit and loss account in subsequent periods</b>       |              |              |               |
| Currency translation  | (7.18, 7.19) | 22.4         | -28.7         |
| Currency translation for discontinued operations  |              | 5.1          | -0.5          |
| <b>Amounts that will not be reclassified to profit and loss account in subsequent periods</b>   |              |              |               |
| Revaluation of the net defined benefit liability  | (7.16)       | -4.0         | -1.1          |
| Apportionable income tax  |              | 1.1          | 0.3           |
| Financial assets measured at fair value through other comprehensive income (equity instruments) |              | -51.7        | 44.9          |
| Apportionable income tax  |              | 12.9         | -11.1         |
| <b>Other comprehensive income after taxes</b>   |              | <b>-14.2</b> | <b>3.8</b>    |
| <b>Total comprehensive income</b>   |              | <b>83.1</b>  | <b>-151.1</b> |
| thereof attributable to non-controlling interests   |              | 10.8         | -50.2         |
| thereof attributable to shareholders of the parent (net profit)                                 |              | 72.3         | -100.9        |

## Consolidated Cash Flow Statement for the 2019 Fiscal Year

| EUR m   | Notes     | 2019          | 2018                      |
|---|-----------|---------------|---------------------------|
| <b>Operating profit</b>   |           | <b>167.4</b>  | <b>-138.6<sup>1</sup></b> |
| <b>Result from discontinued operations</b>  |           | <b>-6.6</b>   | <b>-22.3<sup>1</sup></b>  |
|   |           | <b>160.7</b>  | <b>-160.8</b>             |
| Loss (+)/Gain (-) from the disposal of fixed assets                                     |           | -16.2         | -9.0                      |
| Depreciation (+) / Appreciation (-) of fixed assets                                     |           | 518.9         | 735.4                     |
| Loss (+)/Gain (-) from the disposal of companies and other non-cash income and expenses |           | 20.3          | 2.0 <sup>1</sup>          |
|   |           | <b>683.8</b>  | <b>567.7</b>              |
| Increase (-)/Decrease (+) in inventories  |           | 32.4          | 38.2                      |
| Increase (-)/Decrease (+) in receivables and other assets                               |           | -41.8         | -15.7                     |
| Increase (+)/Decrease (-) in provisions   |           | -10.9         | -7.0                      |
| Increase (+)/Decrease (-) in liabilities and other liabilities                          |           | -24.2         | 0.8                       |
| Interest received and interest-related income   |           | 9.9           | 11.8                      |
| Taxes paid  |           | -42.6         | -112.4                    |
| <b>Cash flow from operating activities</b>  |           | <b>606.7</b>  | <b>483.3</b>              |
| Proceeds from the disposal of fixed assets (excluding financial assets)                 |           | 93.9          | 89.0                      |
| Proceeds from the disposal/repayment of financial assets                                |           | 3.1           | 3.7                       |
| Proceeds from the sale of consolidated companies, net of cash                           |           | 151.6         | 34.5                      |
| Acquisition of intangible assets, property, plant and equipment                         |           | -303.6        | -535.8                    |
| Acquisition of financial assets and other financial investments                         |           | -33.3         | -3.6                      |
| Acquisition of consolidated companies, net of cash                                      |           | -12.7         | -313.1                    |
| Results from associated companies and investments                                       |           | 27.0          | 10.9                      |
| <b>Cash flow from investing activities</b>  |           | <b>-74.0</b>  | <b>-714.5</b>             |
| Dividend payments   |           | -33.3         | -32.2                     |
| Proceeds from shareholders (non-controlling interests)                                  |           | 1.0           | 1.0                       |
| Expenditures from change in interests in subsidiaries (without change of control)       |           | -5.7          | -15.4                     |
| Expenditures from the repayment of bonds  |           | -246.0        | 0.0                       |
| Proceeds from bank loans and financial liabilities                                      |           | 324.4         | 268.5                     |
| Payouts from bank loans and financial liabilities                                       |           | -404.1        | -318.5                    |
| Payouts from leasing obligations  |           | -127.7        | 0.0                       |
| Interest paid and interest-related payments   |           | -60.1         | -47.2                     |
| <b>Cash flow from financing activities</b>  |           | <b>-551.4</b> | <b>-143.7</b>             |
| <b>Net change in cash and cash equivalents</b>  |           | <b>-18.7</b>  | <b>-374.8</b>             |
| Currency translation adjustments  |           | 9.0           | 13.5                      |
| Changes in cash and cash equivalents due to changes in scope of consolidation           |           | 2.4           | 0.1                       |
| <b>Net change in cash and cash equivalents</b>  |           | <b>-7.3</b>   | <b>-361.2</b>             |
| Cash and cash equivalents at the beginning of the period                                | (7.13, 9) | 538.5         | 899.7                     |
| Cash and cash equivalents at the end of the period                                      | (7.13, 9) | 531.1         | 538.5                     |
| <b>Net change in cash and cash equivalents</b>  |           | <b>-7.3</b>   | <b>-361.2</b>             |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

## Consolidated Statement of Changes in Equity for the 2019 Fiscal Year

| EUR m  | Shares of shareholders of NOVOMATIC AG |                 |                   |                |                                 | Total          | Non-controlling interests | Equity         |
|--|--|-----------------|-------------------|----------------|---------------------------------|----------------|---------------------------|----------------|
|  | Share capital                          | Capital reserve | Retained earnings | IFRS 9 Reserve | Currency translation adjustment |                |                           |                |
| <b>As of 1/1/2019</b>  | <b>26.6</b>                            | <b>85.4</b>     | <b>1,042.2</b>    | <b>82.2</b>    | <b>-89.9</b>                    | <b>1,146.4</b> | <b>212.2</b>              | <b>1,358.6</b> |
| 1) Total comprehensive income  |  |                 |                   |                |                                 |                |                           |                |
| Annual result  | 0.0                                    | 0.0             | 88.8              | 0.0            | 0.0                             | 88.8           | 8.5                       | 97.3           |
| Other comprehensive income   | 0.0                                    | 0.0             | 2.4               | -38.8          | 19.9                            | -16.5          | 2.3                       | -14.2          |
| 2) Dividend payments   | 0.0                                    | 0.0             | -22.0             | 0.0            | 0.0                             | -22.0          | -11.3                     | -33.3          |
| 3) Change in non-controlling interests                               | 0.0                                    | 0.0             | -5.7              | 0.0            | 0.0                             | -5.7           | 0.7                       | -5.1           |
| 4) Change in the scope of consolidation                              | 0.0                                    | 0.0             | -3.4              | 0.0            | 0.0                             | -3.4           | -1.1                      | -4.5           |
| 5) Obligation from written put options for non-controlling interests | 0.0                                    | 0.0             | 1.2               | 0.0            | 0.0                             | 1.2            | 0.0                       | 1.2            |
| <b>As of 12/31/2019</b>  | <b>26.6</b>                            | <b>85.4</b>     | <b>1,103.5</b>    | <b>43.3</b>    | <b>-70.0</b>                    | <b>1,188.8</b> | <b>211.3</b>              | <b>1,400.1</b> |

| EUR m  | Shares of shareholders of NOVOMATIC AG |                 |                   |                |                                 | Total          | Non-controlling interests | Equity         |
|--|--|-----------------|-------------------|----------------|---------------------------------|----------------|---------------------------|----------------|
|  | Share capital                          | Capital reserve | Retained earnings | IFRS 9 Reserve | Currency translation adjustment |                |                           |                |
| <b>As of 12/31/2017</b>  | <b>26.6</b>                            | <b>85.4</b>     | <b>1,169.0</b>    | <b>23.3</b>    | <b>-66.8</b>                    | <b>1,237.5</b> | <b>91.4</b>               | <b>1,328.9</b> |
| First-time application of IFRS 9                                     | 0.0                                    | 0.0             | 0.0               | 12.0           | 0.0                             | 12.0           | 0.0                       | 12.0           |
| <b>As of 1/1/2018</b>  | <b>26.6</b>                            | <b>85.4</b>     | <b>1,169.0</b>    | <b>35.2</b>    | <b>-66.8</b>                    | <b>1,249.5</b> | <b>91.4</b>               | <b>1,340.9</b> |
| 1) Total comprehensive income  |  |                 |                   |                |                                 |                |                           |                |
| Annual result  | 0.0                                    | 0.0             | -110.9            | 0.0            | 0.0                             | -110.9         | -44.1                     | -154.9         |
| Other comprehensive income   | 0.0                                    | 0.0             | -1.2              | 34.4           | -23.2                           | 10.0           | -6.2                      | 3.8            |
| 2) Dividend payments   | 0.0                                    | 0.0             | -20.0             | 0.0            | 0.0                             | -20.0          | -12.2                     | -32.2          |
| 3) Change in non-controlling interests                               | 0.0                                    | 0.0             | 9.5               | 0.0            | 0.0                             | 9.5            | -11.0                     | -1.5           |
| 4) Change in the scope of consolidation                              | 0.0                                    | 0.0             | -0.8              | 12.5           | 0.0                             | 11.8           | 194.1                     | 205.9          |
| 5) Obligation from written put options for non-controlling interests | 0.0                                    | 0.0             | -3.4              | 0.0            | 0.0                             | -3.4           | 0.0                       | -3.4           |
| <b>As of 12/31/2018</b>  | <b>26.6</b>                            | <b>85.4</b>     | <b>1,042.2</b>    | <b>82.2</b>    | <b>-89.9</b>                    | <b>1,146.4</b> | <b>212.2</b>              | <b>1,358.6</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

as of December 31, 2019

## (1) Information about the Company

The NOVOMATIC Group consists of NOVOMATIC AG and its subsidiaries. NOVOMATIC AG is a public limited company according to Austrian legislation and its registered office is in Gumpoldskirchen, Austria. The company's address is NOVOMATIC AG, Wiener Strasse 158, 2352 Gumpoldskirchen. The company is filed with the Register of Companies maintained by the Regional Court of Wiener Neustadt under FN 69548 b.

NOVOMATIC is a globally operating, integrated gaming technology and entertainment group with 40 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, manufactures and sells gaming products, lottery technologies and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC furthermore operates around 1,900 gaming facilities, which include casinos, slot arcades, sports betting outlets and bingo facilities.

In addition to the development of terrestrial gaming equipment, the NOVOMATIC Group has also established itself as a content provider of games for licensed online and offline suppliers 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.

## (2) Accounting Principles

The present consolidated financial statement as of December 31, 2019 was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). The requirements of section 245a para 1 of the Austrian Commercial Code have likewise been fulfilled.

The fiscal year corresponds to the calendar year. The financial statements of every fully consolidated domestic or foreign company included in the Consolidated Financial Statement for 2019 were prepared as of the balance sheet date of the consolidated financial statements. Consequently, a subgroup with a different regular balance sheet date has prepared interim financial statements for consolidation purposes as of the balance sheet date of the Consolidated Financial Statement.

The Consolidated Financial Statement is prepared in euros. For the purpose of clarity, all items in the Consolidated Financial Statement are shown in millions of euros (EUR m). Due to the financial rounding of individual values and percentages, insignificant discrepancies may arise.

### (3) Scope of Consolidation

This Consolidated Financial Statement covers NOVOMATIC AG and the companies that it controls. The control over a subsidiary is assumed if NOVOMATIC AG can exercise control over the associated company either directly or indirectly, is exposed to fluctuating returns on its investment, and can influence returns in terms of their size due to the power to control. Subsidiaries are fully consolidated from the acquisition date, i.e. the date on which the Group gains control over the company. Inclusion in the consolidated financial statements ends when the parent no longer exercises control over the subsidiary.

The equity method is applied for companies that are significantly influenced – but cannot be considered to be controlled – by NOVOMATIC AG.

Affiliated companies, whose influence on the net assets, financial and earnings position of the Group is marginal, are not included in the scope of the fully consolidated companies but are shown as financial assets.

The scope of consolidation has developed as follows:

| Scope of consolidation         | Fully consolidated | Valued at equity |
|--------------------------------|--------------------|------------------|
| As of 1/1/2019                 | 226                | 4                |
| First-time inclusion in 2019   | 11                 | 0                |
| Disposed of in 2019            | -30                | 0                |
| Merged in 2019                 | -8                 | 0                |
| As of 12/31/2019               | 199                | 4                |
| thereof non-Austrian companies | 185                | 3                |

A summary of fully consolidated subsidiaries, companies consolidated using the equity method, and non-consolidated affiliated companies can be found under other disclosures.

During 2019, the Group consolidated the following subsidiaries:

- Bingoland S.r.l., Italy
- Admiral Pay Istituto di Pagamento S.r.l., Italy
- Casino Admiral Holland III B.V., the Netherlands
- Casino Admiral Noordwijk B.V., the Netherlands
- Casino Sevens Simpelveld B.V., the Netherlands
- Casino Admiral Staff B.V., the Netherlands
- Novo Immobilien Verwaltungsgesellschaft mbH, Germany
- ADMIRAL Spielhalle Wolfsburg GmbH, Germany
- NOVOMATIC Gaming UK Ltd., United Kingdom
- Paan OÜ, Estonia
- Grand Prix Casino OÜ, Estonia

Information about the subsidiaries sold in 2019 can be found under Note (6).

## (4) Accounting Policies

### Standards and Interpretations to be Applied for the First Time in the 2019 Fiscal Year

The following new or revised standards and interpretations were adopted by EU legislation and implemented for the first time in financial year 2019:

| Standards/Interpretation |   |
|--------------------------|---|
| IAS 19                   | Amendment: Planned amendment, shortening, or compensation                     |
| IAS 28                   | Amendment: Non-current investments in associated companies and joint ventures |
| IFRS 9                   | Amendment: Prepayment Features with Negative Compensation                     |
| IFRS 16                  | Leases  |
| IFRIC 23                 | Uncertainty over Income Tax Treatments  |
| Miscellaneous            | Annual Improvements to IFRS 2015-2017   |

The effects of the first-time application of the new IFRS standard "IFRS 16 Leases" are explained below. The other amendments that took effect had no significant impact on the Consolidated Financial Statement.

#### IFRS 16 Leases

IFRS 16 "Leases" was applied by NOVOMATIC for the first time as of January 1, 2019, as required. IFRS 16 replaces the previous provisions of IAS 17 and the related interpretations; in particular the accounting treatment of leases by the lessee has been newly regulated. The lessee now also recognizes a liability for future lease payments for each operating lease. At the same time, a right-of-use asset is capitalized at the present value of the future lease payments and subsequently depreciated on a straight-line basis.

The NOVOMATIC Group applies IFRS 16 retrospectively in a modified format (consequently without adjusting the previous year's figures) and is therefore required to record any cumulative adjustment effect in equity at the time of first-time application on January 1, 2019. In this context, the approach chosen is to recognize the right-of-use assets at the time of initial application in the amount of the respective lease liabilities. An adjustment was made by the amount of prepaid or deferred lease payments that were transferred to the right-of-use asset. Overall, there was therefore no effect on the Group's equity at the time of first-time application. The right-of-use assets and lease liabilities are each shown as separate items in the balance sheet.

IFRS 16 provides for a recognition option for short-term leases with a term of twelve months or less. Furthermore, the lease accounting does not have to be applied to low-value leased assets. The NOVOMATIC Group has made use of both options and will, therefore, continue to recognize the corresponding lease payments directly in the income statement.

The following practical simplifications were made use of upon first-time application:

- Application of a discount rate per portfolio of leases
- Leases with a remaining term of a maximum of 12 months from January 1, 2019 are not recognized.
- Recourse to the provision assessment for onerous contracts instead of a separate impairment test in accordance with IAS 36

In addition, the NOVOMATIC Group makes use of the option not to reassess whether a lease as defined by IFRS 16 contains or does not contain a lease if it already existed upon first-time application. Accordingly, the definition of a lease in IAS 17 and IFRIC 4 continued to apply to leases that existed before January 1, 2019.

In the NOVOMATIC Group, the most significant impact of IFRS 16 resulted from the large number of gaming facilities operated (including slot arcades, casinos, sports betting outlets and bingo halls), most of which are rented from third parties. In addition, other properties, gaming devices, equipment and vehicles are also rented. Prolongation and termination options are included in many lease agreements in the NOVOMATIC Group. When accounting for these lease agreements, significant estimates must therefore be made about the term of a lease, as IFRS 16 also requires options to be considered within the term of a lease where

it is assumed with reasonable certainty that an extension option will be exercised or a termination option not exercised. Given the legal requirements associated with the operation of gaming facilities, which regularly require a license, the license term in the respective region is a key parameter when estimating the term of a lease.

The recognition of right-of-use assets and lease liabilities for the above-mentioned leases resulted in a significant increase in the balance sheet total. This balance sheet prolongation means that the equity ratio declined from 33.1 percent to 28.0 percent as of January 1, 2019. The weighted average marginal borrowing rate was 2.86 percent. The effects on the consolidated balance sheet as of January 1, 2019 brought on by the first-time application of IFRS 16 are as follows:

| EUR m  | 12/31/2018     | Adjustments<br>for IFRS 16 | 01/01/2019     |
|--|----------------|----------------------------|----------------|
| <b>ASSETS</b>  |                |                            |                |
| <b>Non-current assets</b>  |                |                            |                |
| Right-of-use assets  | –              | 694.7                      | 694.7          |
| Other non-current assets   | 108.1          | 11.0                       | 119.1          |
|  | <b>2,576.3</b> | <b>705.7</b>               | <b>3,282.0</b> |
| <b>Current assets</b>  |                |                            |                |
| Trade receivables, other receivables and assets                                      | 437.7          | -3.9                       | 433.8          |
| Non-current assets and disposal groups held for sale                                 | 166.0          | 53.9                       | 219.9          |
|  | <b>1,522.7</b> | <b>50.0</b>                | <b>1,572.7</b> |
| <b>Total ASSETS</b>  | <b>4,099.1</b> | <b>755.8</b>               | <b>4,854.9</b> |
| <b>EQUITY AND LIABILITIES</b>  |                |                            |                |
| <b>Non-current liabilities</b>   |                |                            |                |
| Non-current lease liabilities  | 1.5            | 591.9                      | 593.4          |
| Non-current provisions   | 95.7           | -10.5                      | 85.2           |
|  | <b>1,829.5</b> | <b>581.3</b>               | <b>2,410.8</b> |
| <b>Current liabilities</b>   |                |                            |                |
| Current lease liabilities  | 0.9            | 120.5                      | 121.4          |
| Liabilities directly related to non-current assets and disposal groups held for sale | 52.4           | 53.9                       | 106.3          |
|  | <b>910.9</b>   | <b>174.4</b>               | <b>1,085.3</b> |
| <b>Total EQUITY AND LIABILITIES</b>  | <b>4,099.1</b> | <b>755.8</b>               | <b>4,854.9</b> |

As part of applying IFRS 16 for the first time, the balance sheet values of rental prepayments of EUR 3.9 million and provisions from onerous rental agreements of EUR 10.5 million had to be reclassified to the balance sheet items of right-of-use assets. In addition, subleases resulted in the recognition of lease receivables from finance leases amounting to EUR 11.0 million, which are reported under other non-current assets.

The right-of-use assets and lease liabilities attributable to assets and disposal groups held for sale are reported under the corresponding balance sheet items.



The minimum lease payments recognized as of December 31, 2018 are recycled to the lease liabilities recognized as of January 1, 2019 as follows:

| EUR m  |              |
|--|--------------|
| <b>Obligations from non-terminable operating lease agreements in accordance with IAS 17 as of 12/31/2018</b>             |              |
| within one year  | 72.6         |
| within two to five years   | 164.8        |
| over five years  | 55.9         |
|  | <b>293.3</b> |
| Obligations arising from different interpretations of maturities or reasonably certain extension and termination options | 582.9        |
| <b>Lease liabilities before discounting</b>  | <b>876.2</b> |
| Effect of discounting using the marginal borrowing rate  | 109.9        |
| <b>Lease liabilities from the first-time application of IFRS 16</b>  | <b>766.3</b> |
| Liabilities from finance leases recognized in the balance sheet as of 12/31/2018   | 2.4          |
| <b>Recognized lease liabilities as of 1/1/2019</b>   | <b>768.7</b> |
| thereof current and non-current lease liabilities  | <b>714.8</b> |
| thereof liabilities as per IFRS 5  | <b>53.9</b>  |

There are also subsequent changes in the profit and loss account, as IFRS 16 replaced the straight-line expenses for operating leases as defined by IAS 17 with a depreciation expense for right-of-use assets and interest expenses for lease liabilities; these expense items are not part of EBITDA<sup>1</sup>. In the current reporting period, this resulted in depreciation and amortization (including impairment losses) of EUR 130.2 million and interest expenses of EUR 19.9 million.

In accordance with IAS 17, all lease payments for operating leases were presented through cash flow from operating activities. Applying IFRS 16 resulted in an increase in cash flow from operating activities and a decrease in cash flow from financing activities, as both the repayment component and the interest component of the lease payment totaling EUR 127.7 million are now reported under cash flow from financing activities.

Segment assets and segment liabilities are also equally affected by the increase. Leasing liabilities are now reported under segment liabilities, while under IAS 17 leasing liabilities were not part of the segment liabilities.

#### Standards and Interpretations Already Published, but only to be Applied in Future Periods

At the date upon which this financial statement was authorized for publication, the following standards and interpretations relevant to the NOVOMATIC Group were already published but not yet mandatory and were not voluntarily applied in advance:

| Standard/Interpretation | Obligatory application for the fiscal years from                      |
|-------------------------|---|
| Framework               | Amendments: References to the Framework Concept in the IFRS Standards |
|                         | January, 1 2020   |
| IAS 1/IAS 8             | Amendment: Definition of Materiality                                  |
|                         | January, 1 2020   |
| IAS 1                   | Amendment: Classification of liabilities as current or non-current    |
|                         | January, 1 2022 <sup>2</sup>  |
| IFRS 3                  | Amendment: Definition of a Business                                   |
|                         | January, 1 2020 <sup>2</sup>  |
| IFRS 9/IAS 39/IFRS 7    | Amendment: Interest Rate Benchmark Reform                             |
|                         | January, 1 2020   |
| IFRS 17                 | Insurance Contracts   |
|                         | January, 1 2021 <sup>2</sup>  |

The introduction and implementation of the aforementioned standards and interpretations in the NOVOMATIC Group is intended from the time of mandatory application taking into account any potential exemptions. These new or amended standards are not expected to have any (material) effects on the Group.

<sup>1</sup> Operating profit plus depreciation, amortization, impairment losses and reversals of impairment losses

<sup>2</sup> Not adopted by EU legislation so far

### Consolidation Procedures

First-time consolidation of acquired companies is carried out according to the purchase method at the date of acquisition. The consideration transferred in the case of a business combination is measured at its fair value, which is an aggregate of the fair values of the assets acquired and liabilities taken over from the former owner of the acquired company at the date of acquisition in exchange for control of the company. The contingent consideration is treated as part of the transferred consideration and is measured at its fair value at the date of acquisition. If the business combination is achieved in stages, the previously held interest in the acquired entity is revalued at the fair value prevailing at the acquisition date and the resulting profit or loss is recognized in the Consolidated Profit and Loss Account. Additional acquisition costs are directly recognized as expense.

The acquired identifiable assets and liabilities taken over are measured at their fair value at the date of acquisition, unless exceptions thereto exist. In accordance with IFRS 3, any excess of the consideration transferred over the fair values of the identifiable net assets acquired is recognized as goodwill. If the consideration transferred is below the identifiable net assets, the difference is recognized against income after a reevaluation of the acquired net assets.

Non-controlling interests are valued initially at either their respective share of the identifiable net assets or their fair value. During the subsequent accounting, the profit/loss of the subsidiary is attributed proportionally to the non-controlling interests, even if this results in a negative balance. The presentation is within the equity and is separate from the equity attributable to the shareholders of NOVOMATIC AG.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal.

Changes in interests in subsidiaries without loss of control are recognized as equity transactions.

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

All intercompany receivables, liabilities, expenses and earnings, as well as intragroup profits, are eliminated.

## Foreign Currency Translation

Foreign currency transactions are presented in the functional currency by applying the exchange rate between the functional currency and the foreign currency at the time of the transaction. Exchange rate differences from the payment of monetary items at conversion rates that deviate from those initially recognized are recognized immediately in profit or loss.

Foreign fully consolidated subsidiaries are considered as independent companies because they are financially, economically and organizationally independent. Their functional currencies are usually the respective national currencies. Apart from the positions within equity, all balance sheet items are translated into the reporting currency at the exchange rate prevailing on December 31, 2019. Income and expense items of foreign consolidated companies are translated at average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income. Upon the elimination of a foreign company from the consolidation scope, the exchange difference is recognized in profit or loss.

The exchange rates used for the currency translation developed as follows:

| Equivalent amount = 1 EUR | Exchange rate prevailing at the<br>balance sheet date |            | Average exchange rate for the year |         |
|---------------------------|---|------------|------------------------------------|---------|
|                           | 12/31/2019  | 12/31/2018 | 2019                               | 2018    |
| Australian dollar         | 1.5986  | 1.6260     | 1.6103                             | 1.5807  |
| British pound             | 0.8466  | 0.8986     | 0.8772                             | 0.8849  |
| Croatian kuna             | 7.4418  | 7.4100     | 7.4173                             | 7.4180  |
| Macedonian dinar          | 61.4900   | 61.5880    | 61.5096                            | 61.5632 |
| Peruvian new sol          | 3.7237  | 3.8704     | 3.7370                             | 3.8813  |
| Romanian leu              | 4.7879  | 4.6542     | 4.7456                             | 4.6537  |
| US dollar                 | 1.1229  | 1.1451     | 1.1196                             | 1.1815  |

## Intangible Assets and Goodwill

Acquired intangible assets are capitalized at acquisition costs and amortized on a scheduled straight-line basis according to their economic useful life or contract period. Internally generated intangible assets are capitalized at production costs if the criteria for inclusion are met and amortized on a scheduled straight-line basis according to their economic useful life.

Trademarks and licenses can have indefinite useful lives. The assessment of intangible assets with an indefinite useful life is reviewed once a year to decide if the assumption of an indefinite useful life is still justified. If this is not the case, the assumption of an indefinite useful life is changed prospectively to a limited useful life.

For intangible assets with an indefinite useful life, an impairment test is carried out at least annually or, in cases where indications of impairment arise, also during the year. Impairment is given if the recoverable amount is lower than the carrying amount. The recoverable amount is the higher value of the fair value and the value-in-use. Impairment is recognized in the year during which the event causing the impairment arises. Where an impairment loss subsequently reverses, the assets are written up.

In the case of business combinations, any excess of the consideration transferred over the fair values of the identifiable net assets acquired is shown as goodwill and allocated to cash-generating units for the purpose of an impairment test. The allocation to cash-generating units or groups of cash-generating units is carried out on the identified business segments that are expected to profit from it. The carrying amounts of the goodwill is subject to an impairment test annually as of September 30 (exception: Ainsworth Game Technology Ltd., Australia, as of December 31), or if there is any indication of impairment. The carrying amount is compared to the recoverable amount for the cash-generating unit to which it is allocated. An impairment loss is recognized immediately as an expense. An impairment loss recognized for goodwill may not be reversed in future periods.

The estimated useful lives for intangible assets and goodwill are:

|                          | Useful life in years |                  |
|--------------------------|----------------------|------------------|
|                          | from                 | to               |
| Goodwill                 |                      | indefinite       |
| Development and software | 3                    | 10               |
| Trademarks and patents   | 3                    | 20 or indefinite |
| Licenses and concessions | 5                    | 20 or indefinite |
| Customer relationships   | 3                    | 20               |
| Other intangible assets  | 3                    | 10               |

### Right-of-Use Assets and Leases

In the NOVOMATIC Group, it is determined at the start of a contract as to whether it constitutes or contains a lease.

If it is a lease, a right of use is capitalized and a lease liability is recognized at the start of use. The amount of the right of use corresponds to the amount of the lease liability when the contract is recorded for the first time, adjusted for any initial direct costs of the lessee, prepayments, lease incentives or dismantling obligations, among other things.

The carrying amount of the lease liability is determined by discounting the lease payments agreed during the term of the lease, expected payments from residual value guarantees issued, the exercise prices of purchase options (if it is reasonably certain that they will be exercised), and any payments as a result of a premature termination of the lease (if the premature termination is reasonably certain). The agreed lease payments include all fixed and quasi-fixed payments as well as variable payments linked to an index or an installment. Discounting is carried out at the rate underlying the lease provided that this can be readily determined. In all other cases, the incremental borrowing rate is used for discounting.

When being remeasured, right-of-use assets are depreciated to the end of the useful life of the assets or the end of the lease term, and adjusted to reflect any impairment loss identified. With regard to impairment tests in cases where the corresponding indications arise, reference to the above remarks will be made.

The lease liability is subsequently measured and updated using the effective interest method.

In the event of lease modifications and a reassessment of certain parameters relevant to measurement (such as the term of the lease or the lease payments), the lease liability is generally remeasured and, as a rule, the carrying amount of the right-of-use asset is adjusted without affecting income.

### Property, plant and equipment

Property, plant and equipment are stated on the balance sheet at acquisition or production costs less the scheduled straight-line depreciation and amortization. Depreciation of property, plant and equipment begins when they are ready for use. For the determination of the estimated useful life of property, plant and equipment, their expected economic life is taken into account. With regard to impairment tests in cases where the corresponding indications arise, reference to the above remarks will be made.

The estimated useful lives for property, plant and equipment are:

|                                | Useful life in years |    |
|--------------------------------|----------------------|----|
|                                | from                 | to |
| Buildings                      | 20                   | 50 |
| Investments in rented property | 10                   | 20 |
| Plant and machinery            | 3                    | 10 |
| Gaming machines                | 3                    | 7  |
| Factory and office equipment   | 3                    | 10 |

### Investment property

Investment property denotes land and buildings held but not used in business operations. They are stated at amortized cost. Buildings are written off over their estimated useful lives of 25 to 50 years using the straight-line method.

### Inventories

Inventories are stated at acquisition or production cost, or at the lower net realizable value. Costs of raw materials and supplies are calculated using the weighted average price method. Aside from individual manufacturing and material costs, finished and unfinished goods contain reasonable shares of material and production overheads. Inventories are reviewed for slow movement or obsolete items and, if necessary, appropriate adjustments are made. Advance payments concerning inventory are related to advance payments for deliveries.

### Other Assets

Precious metals (gold) are valued and recognized in accordance with the current market value. Due to the high liquidity and volatility, a measurement at fair value is usual and considered the most suitable valuation method.

### Assets Held for Sale and Sale Groups

Non-current assets and sale groups classified as held for sale are measured at the lower amount of their original book value and the fair value minus the cost of sale. In the event that the Group has agreed on a sale that will result in the loss of control over a subsidiary, all asset positions and debts from said subsidiary will be classified as held for sale.

### Financial Instruments

A financial instrument is a contract that is simultaneously recognized by one entity as a financial asset and by that entity's counterparty as a financial liability or an equity instrument. The recognition of the financial instrument in the balance sheet occurs only when the Group is a party to the contract.

Upon first-time recognition, a financial asset or liability is classified as follows:

- Financial Asset Recognized at Amortized Cost
- Financial assets measured at fair value through other comprehensive income (FVTOCI)
- Financial Asset at Fair Value through Profit or Loss (FVTPL)
- Financial liabilities recognized at amortized cost
- Financial Liabilities Measured at Fair Value through Profit or Loss

#### **Financial Asset Recognized at Amortized Cost**

A financial asset is measured at amortized cost if it is held as part of a business model, the objective of which is to hold financial assets in order to collect the contractual cash flows and the contractual terms of the financial asset result in cash flows at specified points in time that represent only principal and interest payments on the outstanding capital amount. This applies above all to receivables, loans, and bank balances.

#### **Financial Assets Measured at Fair Value through Other Comprehensive Income**

If, on the other hand, the financial asset is held within the framework of a business model, the objective of which is both the receipt of the contractual cash flows and the sale of financial assets, it is measured at fair value through other comprehensive income (FVTOCI).

#### **Financial Assets Measured at Fair Value through Profit or Loss**

Derivatives, equity instruments (except when the FVTOCI option is exercised) and investment fund units are measured at fair value through profit or loss.

#### **Financial liabilities recognized at amortized cost**

Financial liabilities, which include bonds, borrowings from banks, lease liabilities, and other liabilities, are carried at amortized cost. Non-current liabilities are discounted using the effective interest method, with the interest expense, calculated in accordance with the effective interest rate, recognized in profit or loss. Foreign currency liabilities are valued using the prevailing rates on the balance sheet date and the resulting currency translation differences are recognized in profit or loss.

#### **Financial Liabilities Measured at Fair Value through Profit or Loss**

A financial liability is measured at fair value through profit or loss when it is classified as a derivative or contingent consideration from company acquisitions.

The Group uses derivatives as hedging instruments against interest and currency risks in the operating business. These derivatives are valued at fair value on the basis of generally accepted financial mathematical models. Derivatives are recognized as assets when their fair value is positive, and as liabilities when their fair value is negative.

For the initial recognition of contingent considerations in a business combination, the facts and circumstances surrounding the contingent consideration that existed at the time of acquisition are disclosed. Subsequent valuation is measured at fair value through profit or loss.

### Impairment of Financial Assets

Impairment losses on financial assets measured at amortized cost or at fair value through other comprehensive income are recognized using the expected credit loss model. For trade receivables and contract assets from customer contracts, the simplified impairment model is applied by taking into account expected losses over the entire term. For these receivables and assets, an impairment loss is recognized in the amount of the expected credit losses over the term of the receivable using an impairment loss table. The expected credit losses (ECL) are defined as the difference between all contractual payments due to an entity under the contract and all payments expected to be received by the entity.

The expected credit losses are recorded in several stages. For financial assets with a low credit risk at the balance sheet date and financial assets whose credit risk has not increased significantly since first-time recognition, the impairment loss is measured on the basis of the expected twelve-month credit loss (Level 1). The twelve-month credit loss is the credit loss resulting from default events possible within the next twelve months. A low credit risk is assumed if there is an external rating in the investment grade range or if an internal rating corresponds to an external rating in this range.

If there is a significant increase in credit risk since first-time recognition, an impairment loss in the amount of the expected credit loss over the term is required (Level 2). A significant increase in credit risk is assumed if the financial asset is more than 30 days overdue.

The expected credit losses on loans, bank balances and other debt instruments are determined methodically using probabilities of default that depend on the rating category. For the items affected, however, the expected credit losses thus determined are of minor significance.

In addition, an assessment is made at each balance sheet date as to whether there is objective evidence of impairment of a financial asset (Level 3). This is the case, for example, when the issuer or borrower has significant financial difficulty or when the financial asset is 90 days overdue.

For trade receivables and contract assets from customer contracts, the simplified impairment model is applied by taking into account expected losses over the entire term. For these receivables and assets, an impairment loss is recognized in the amount of the expected credit losses over the term of the receivable using an impairment loss table. Forward-looking information is also evaluated and, if necessary, the failure rates used are adjusted.

### Recognition and Derecognition

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Recognition and derecognition are booked at the trading date.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset along with all significant risks and rewards associated with ownership of the asset to another entity.

The Group derecognizes a financial liability when the Group's obligations related to that financial liability have been discharged or canceled, or have expired.

## Provisions

Provisions for pensions or similar obligations, as well as provisions for severance and jubilee payments, are measured according to the regulations of IAS 19 using the projected unit credit method. The costs of the estimated benefit entitlements are allocated over the whole period of employment. Future increases in remuneration are taken into account. Actuarial gains and losses concerning provisions for severance payments and pensions are recognized in other comprehensive income or charged against income when it comes to jubilee payments. Past service costs are recognized as an expense at the time of plan adjustment. Provisions correspond to the present value of the obligations (DBO). The accrued amounts are based on the expert opinion of qualified actuaries as of the respective balance sheet date.

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

## Contingent Liabilities

Contingent liabilities are possible current obligations that arise from past events, where an outflow of resources is nonetheless not probable. If, in rare cases, a present obligation is not recognized in the consolidated financial statements as a provision because the amount of the obligation cannot be measured with sufficient reliability, this is also classified as contingent liability. Contingent liabilities are not stated in the consolidated balance sheet but are disclosed in the notes to the Consolidated Financial Statement.

## Revenue and Expense Recognition

The NOVOMATIC Group recognizes revenues from the sale and rental of gaming machines, from the operation of casinos and electronic casinos, as well as from online gaming (e-business) and from betting. Pursuant to IFRS 15, revenues are to be recognized when the customer acquires the power to dispose of the agreed goods and services and may derive a benefit therefrom. The standard provides for a five-step model to recognize revenues. The first step is to identify the contract/contracts with customers and the independent performance obligations so as then to determine the transaction price and to divide up the contractual performance obligations. Revenues are recognized either on a time-related basis or at a specific point in time.

Revenues from the **sale** of gaming machines are recognized when the control over the promised goods or services passes to the customer. The form and scope of the contracts with customers depend on the respective jurisdiction. The following potential separate performance obligations were essentially identified: Gaming machine, contractually agreed regular software updates, spare parts and other services (e.g. business analytics, reports). For any additional costs arising from the initiation of a contract (e.g. sales commissions), the practical exception according to IFRS 15.94 is applied, as the amortization period is generally less than one year.

Revenue from the **rental** of gaming machines, classified as operating leases, is recognized on a straight-line basis over the period in which the underlying services are rendered. Lease agreements with customers may have different characteristics, particularly with regard to the agreed payments (fixed rent or revenue share models). The following possible separate leasing and non-leasing components were identified: Gaming machine, contractually agreed regular software updates, maintenance/spare parts/other services and customer loyalty programs. Rental prepayments (up-front fees) are recognized as revenue on a straight-line basis over the term of the contract. Customer loyalty programs are deferred so that this portion is not recognized as revenue until the Group has fulfilled the obligation.

Revenues from the **operation of electronic slot machines (slot arcades) and casinos with live games** are recorded as net amount (net gaming revenue). The net amount is calculated as the balance of amounts used by customers (IN) less payments to customers (OUT) less all incentives and accruals. In a few jurisdictions, the payout of a jackpot may have a mandatory scope; then a corresponding accrual (refund liability) is made. Other discretionary incentives (free catering) and non-discretionary incentives (customer loyalty programs) are not available or only to a minor extent.



Revenues from **bets** are recognized when the underlying betting event has occurred. The turnover corresponds to the net amount of wagers and payouts from the betting business. Those amounts used by players for events that have not yet taken place are accounted for as a deferred contract item.

Revenues from **online gaming** include online casinos, games and platform services and are recognized as soon as the underlying games have taken place or services have been rendered. A contract liability is recorded for unused customer credit balances.

Revenues in the other areas are recognized as soon as the respective services have been rendered.

Operating expenses are recognized when incurred or at the date of use of the service.

### **Financial result**

Interest expense is comprised of interest accrued on debt financing. Other finance cost relates to the impairment of financial assets, losses on the disposal of financial assets and expenses related to derivatives.

Interest income includes realized interest income from the investment in funds and investments in financial assets. Other finance income is comprised of dividends and similar income, profits from the sale of financial assets, and income from derivatives.

Foreign currency effects resulting from intragroup financing are stated separately in the financial result because of their close connection to financing activities.

### **Taxes**

The income tax expense disclosed is comprised of the income tax payments by each subsidiary based on its taxable profit for the year and calculated using the applicable tax rate for the respective jurisdiction (actual taxes), as well as of changes in the deferred taxes.

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

Deferred tax assets and liabilities are shown net in the Group if a right of set-off exists and the taxes relate to taxpayers in the same tax group.

Important average tax rates used by Group companies are:

| Country        | 2019 tax rate     | 2018 tax rate     |
|----------------|-------------------|-------------------|
| Australia      | 30 %              | 30 %              |
| Germany        | 15.80 % – 57.20 % | 12.22 % – 57.20 % |
| United Kingdom | 17 % and 19 %     | 17 % and 19 %     |
| Italy          | 24 % – 27.9 %     | 24 % – 27.9 %     |
| Croatia        | 12 % – 18 %       | 12 % – 18 %       |
| Latvia         | 0 % and 20 %      | 0 % and 20 %      |
| Malta          | 5 % and 35 %      | 5 % and 35 %      |
| Macedonia      | 10 %              | 10 %              |
| Netherlands    | 25 %              | 25 %              |
| Austria        | 25 %              | 25 %              |
| Peru           | 29.5 %            | 29.5 %            |
| Romania        | 16 %              | 16 %              |
| Spain          | 25 %              | 25 %              |
| USA            | 26 %              | 26 %              |

### Fair Value Measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The NOVOMATIC Group uses the following hierarchy to allocate certain assets and/or liabilities, which are either to be stated at fair value or at least where the fair value has to be disclosed, to a certain measurement method:

Level 1: Measurement on the basis of quoted (unadjusted) prices in active markets

Level 2: Measurement on the basis of market prices for similar instruments or on the basis of valuation methods, relying solely upon parameters observable in the market.

Level 3: Measurement on the basis of parameters that significantly affect the fair value and are not based on observable market data.

In the face of varying influencing factors, the fair values presented can only be considered as indicators of the values that could actually be generated on the market.

### Estimates and Judgments

For the preparation of the financial statements, assumptions and estimates were made that influence the amount of assets and liabilities, income and expenses, for the review period. Even under a high degree of diligence, these assumptions may differ from the actual circumstances.

For the following situations, the assumptions made at the balance sheet date are of particular importance:

The assessment of recoverability of intangible assets, right-of-use assets, property, plant and equipment is based on assumptions for the future. For the impairment tests, several assumptions to determine the recoverable amount are taken into account. Of particular importance are future cash flows as well as the discount rate. Cash flow predictions are based on financial plans approved by the management. In addition, assumptions for the presence of indicators for impairments or the reversal of impairments

are necessary.

Significant estimates are made when measuring the right-of-use assets to be recognized and the associated lease liabilities in the case of leases under IFRS 16 as lessee. This is due to the fact that many leases in the Group have single or multiple extension options, have an indefinite term with corresponding termination rights, or also contain termination rights in the case of terms that are limited. The length of the term on the basis of the estimates made is the main factor determining the amount of the lease liabilities. Please refer to the preceding notes to IFRS 16 for further details.

Concerning purchase price allocations performed for business combinations, assumptions are made concerning the existence and valuation of assets (in particular intangible assets), liabilities, and contingent liabilities received. The evaluation of their fair value is based on several different assumptions, especially for future cash flows and the discount rate. For the evaluation of contingent considerations, assumptions are made concerning the probability of achieving the defined objectives.

Deferred tax assets are recognized to the extent that it is probable that sufficient taxable income will be generated in future periods to utilize deductible temporary differences or existing tax loss carryforwards.

The fair value of financial assets, as well as derivatives, is derived based on market information available on the balance sheet date. Shares in non-consolidated companies and other investments reported under financial assets are measured in accordance with recognized capitalized earnings methods. When calculating the market value of financial investments, a multiplier method is used as there is no active market available for this. The parameters used in the measurement may be fraught with predictive uncertainty and, similarly, the selection of the suitable peer group requires assumptions about their comparability. In the face of varying influencing factors, the values disclosed may deviate from values realized at a later point in time.

Concerning the valuation of inventories, assumptions must be made regarding market development and economic exploitability.

In the case of receivables, valuation adjustments are made on the basis of assumptions about the probability of default in accordance with the model of expected credit losses.

The assumptions upon which estimates are based are subject to constant scrutiny and adjustment.

#### **Changes in Recognition**

Due to the application of the classification, presentation and measurement requirements of IFRS 5 to the business segments in the 2019 Consolidated Financial Statement, the comparative figures in the income statement for the previous period were restated. Further explanations are provided in notes (6 and 8.17).

## (5) Company Acquisitions

100 percent of the shares in Katharina Liebig und Horst Winkler Automatengesellschaft mbH (renamed ADMIRAL Spielhalle Wolfsburg GmbH) in Germany were acquired on April 10, 2019. The acquired company operates a slot arcade in Lower Saxony.

On May 1, 2019, 100 percent of the shares in Grand Prix Casino OÜ and its subsidiary Paan OÜ in Estonia were acquired. The acquired companies are operators of a total of 11 slot arcades with catering facilities.

Smaller acquisitions were also made in Italy, Spain and the Netherlands in the area of slot arcade operators.

With these aforementioned acquisitions, the Group aims to further consolidate and enhance its market position in the European core markets.

These acquisitions have been accounted for in accordance with IFRS 3. The following table summarizes the fair values of these company acquisitions:

| EUR m  | Fair values |
|--|-------------|
| Intangible Assets                                | 2.2         |
| Right-of-use assets                              | 1.6         |
| Property, plant and equipment                    | 1.0         |
| Other non-current assets                         | 0.1         |
| Inventories                                      | 0.1         |
| Cash and cash equivalents                        | 0.6         |
| Other current assets                             | 0.2         |
| Non-current liabilities and provisions           | -1.6        |
| Current liabilities and provisions               | -1.2        |
| <b>Net assets</b>                                | <b>3.0</b>  |
| Goodwill   | 4.2         |
| Received surpluses recognized in profit and loss | -0.1        |
| <b>Consideration</b>                             | <b>7.1</b>  |

The consideration of EUR 7.1 million has already been fully paid in cash. Provisional goodwill resulting from the acquisitions reflects expected strategic advantages for the Group due to the further expansion of operational business activities and further potential growth through synergies. None of the goodwill resulting from these acquisitions is probably tax-deductible.

Revenue amounts to EUR 0.4 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR -0.1 million.

The disclosure of revenues and profit or loss of the acquired companies under the assumption that the acquisition date of all business combinations is the beginning of the reporting period was omitted, since its informative value in terms of the Consolidated Financial Statement would be insignificant.

## (6) Company Sales

### Croatia (discontinued operation)

The sale of the Croatian companies Novo Gaming d.o.o. and its subsidiaries Interigre d.o.o. and Mediteran Gaming d.o.o., which were already classified as held for sale in 2018, was completed in March 2019. The business activities of the Croatian companies covered in particular the operation of several slot arcades and betting outlets, four live-game casinos, and one hotel. In recent years, business in this region has been burdened by high market entry costs in the local casino and sports betting segment, the implementation of innovations in operational gaming operations (e.g. biometric access systems) and rising administrative costs. The purchase price agreed with the buyer and already paid is EUR 39.0 million. The disposal resulted in a final consolidation loss of EUR -2.9 million for the Group, which is reported in the result from discontinued operations.

The assets and liabilities held for sale were disposed of in their entirety through the sale in 2019. The earnings and cash flows from this discontinued operation are as follows:

| EUR m   | 2019       | 2018         |
|---|------------|--------------|
| Revenues  | 10.4       | 58.4         |
| Other income                                    | 1.6        | 4.3          |
| Current depreciation                            | 0.0        | -24.5        |
| Expenses  | -7.2       | -48.3        |
| Financial income                                | 0.2        | 0.0          |
| Financial expense                               | -0.6       | 0.0          |
| Taxes on income                                 | -0.6       | -0.2         |
| Final consolidation                             | -2.9       | 0.0          |
| <b>Profit/Loss from Discontinued Operations</b> | <b>0.9</b> | <b>-10.3</b> |

| EUR m   | 2019        |
|---|-------------|
| Cash flow from operating activities           | -6.0        |
| Cash flow from investing activities           | 0.5         |
| Cash flow from financing activities           | -0.9        |
| <b>Cash flow from discontinued operations</b> | <b>-6.3</b> |

### UK Gaming Technology (discontinued operation)

The sales negotiations for the Gaming Technology subdivision in the UK, which began in 2018, led to the sale being completed in October 2019. The sale comprised the majority interests in the following companies: Astra Games Ltd, Playnation Ltd, Bell-Fruit Group Ltd, Gamestec Leisure Ltd, Harlequin Gaming Ltd and Innov8 Gaming Ltd. These had already been classified as held for sale in 2018. The British gaming market is going through a period of major change due to the move from analog to digital gaming machines, together with customers moving between business segments. The contractually agreed purchase price consists of EUR 106.2 million plus cash, less financial liabilities and plus/minus net working capital surplus or surplus cover (in relation to target net working capital) at the time of the sale being completed. The buyer has already paid EUR 104.6 million in cash; the final purchase price adjustment is still being agreed. The disposal resulted in a final consolidation loss of EUR -16.2 million for the Group, which is reported in the result from discontinued operations.

The assets and liabilities held for sale were disposed of in their entirety through the sale in 2019. The earnings and cash flows from this discontinued operation are as follows:

| EUR m   | 2019       | 2018         |
|---|------------|--------------|
| Revenues  | 82.3       | 104.9        |
| Other income                                    | 12.4       | 10.8         |
| Current depreciation                            | -0.3       | -23.4        |
| Expenses  | -69.3      | -107.0       |
| Financial income                                | 1.0        | 0.1          |
| Financial expense                               | -0.4       | 0.0          |
| Taxes on income                                 | -4.6       | 1.8          |
| Final consolidation                             | -16.2      | 0.0          |
| <b>Profit/Loss from Discontinued Operations</b> | <b>5.0</b> | <b>-12.8</b> |

| EUR m   | 2019        |
|---|-------------|
| Cash flow from operating activities           | 22.8        |
| Cash flow from investing activities           | -3.7        |
| Cash flow from financing activities           | -22.5       |
| <b>Cash flow from discontinued operations</b> | <b>-3.4</b> |

#### NLS Group (discontinued operation)

The Austrian NOVOMATIC Lottery Solutions GmbH and its (sub-)subsidiaries NOVOMATIC Lottery Solutions (Iceland) hf (Iceland), Betware DK Aps (Denmark), NOVOMATIC Lottery Solutions d.o.o. (Serbia), AGI NOVOMATIC Tunisia S.A.R.L. (Tunisia) and NOVOMATIC Lottery Solutions Spain S.L.U. (Spain) were sold on October 31, 2019.

The NLS Group is a full service provider for international state-licensed lottery companies. The services offered range from the provision of lottery technology and customer-specific developments to the operative system operation and the full-scale service relating to the daily operation of a lottery. Structural deficits and newly concluded customer contracts (often at commercially disadvantageous conditions with long contract terms) in a very competitive environment meant that the results of the NLS Group fell well short of expectations.

These findings served as the basis for a review of the business strategy, which ultimately led to a sales process being launched. The contract for the sale of shares was signed on August 29, 2019. After various conditions had been met and approvals obtained, the deal was completed at the end of October 2019. The disposal resulted in a final consolidation loss of EUR -4.0 million for the Group.

Based on the current situation, the classification, presentation and measurement provisions of IFRS 5 were applied, meaning that the NLS Group was presented in the 2019 Consolidated Financial Statement as a discontinued operation. The comparative figures for the previous year have been adjusted accordingly.

The assets and liabilities held for sale were disposed of in their entirety through the sale in 2019. The earnings and cash flows from this discontinued operation are as follows:

| EUR m   | 2019         | 2018       |
|---|--------------|------------|
| Revenues  | 7.5          | 28.3       |
| Other income                                    | 0.5          | -2.6       |
| Current depreciation                            | -1.1         | -0.6       |
| Expenses  | -15.6        | -18.5      |
| Financial income                                | 0.1          | 0.0        |
| Financial expense                               | 0.0          | -0.1       |
| Taxes on income                                 | 0.2          | -1.0       |
| Final consolidation                             | -4.0         | 0.0        |
| <b>Profit/Loss from Discontinued Operations</b> | <b>-12.5</b> | <b>5.6</b> |

| EUR m   | 2019        |
|---|-------------|
| Cash flow from operating activities           | 15.4        |
| Cash flow from investing activities           | 0.8         |
| Cash flow from financing activities           | -1.3        |
| <b>Cash flow from discontinued operations</b> | <b>14.9</b> |

#### Other Company Sales

The sale of 60 percent of the shares in the Spanish company OtiumGI S.L. and its wholly-owned Spanish subsidiary S4Gaming S.L. and 99.98 percent Mexican subsidiary Otium Mexico S.A.P.I. de C.V. was completed in April 2019. The business activities of the companies mainly involved developing video bingo games for the Mexican gaming market.

In June 2019, the 100 percent shareholding in the Spanish Admiral Casinos S.A. and its subsidiary Gran Casino Aljarafe S.A., with business activities including the operation of casinos, was sold. The two companies were already classified as held for sale in the previous year.

In September 2019, the 80 percent stake in an Austrian company and its majority Slovenian subsidiary was sold. The companies offer gaming machines and games for casinos, slot arcades, and street operators.

The consideration amounted to EUR 13.5 million and has already been paid in full. The sale of the shares in both companies resulted in a loss on final consolidation of EUR -1.7 million (reported under other operating expenses) and a gain on final consolidation of EUR 4.3 million (reported under other operating income) for the Group.

## (7) Notes to the Consolidated Balance Sheet

## (7.1) Intangible Assets EUR m

| Acquisition costs                          | Goodwill     | Trademarks and patents | Licenses and concessions | Customer relationships | Development and software | Other intangible assets | Total          |
|--|--------------|------------------------|--------------------------|------------------------|--------------------------|-------------------------|----------------|
| As of 1/1/2018                             | 323.7        | 53.8                   | 644.8                    | 104.8                  | 171.7                    | 71.5                    | 1,370.3        |
| Currency translation adjustments           | -6.8         | -2.9                   | -0.2                     | -5.2                   | -8.1                     | 0.0                     | -23.3          |
| Acquisitions through business combinations | 128.8        | 44.4                   | 5.8                      | 76.6                   | 131.6                    | 0.1                     | 387.3          |
| Additions                                  | 0.0          | 0.1                    | 7.4                      | 0.0                    | 15.1                     | 9.9                     | 32.4           |
| Disposals                                  | -0.2         | -0.3                   | -5.2                     | 0.0                    | -16.5                    | -4.2                    | -26.4          |
| Assets held for sale                       | -14.8        | -4.8                   | -5.1                     | -24.5                  | -9.6                     | -1.4                    | -60.2          |
| Reclassifications                          | 0.0          | 0.1                    | 0.6                      | 0.0                    | 2.4                      | -2.0                    | 1.0            |
| <b>As of 12/31/2018</b>                    | <b>430.7</b> | <b>90.3</b>            | <b>648.0</b>             | <b>151.8</b>           | <b>286.5</b>             | <b>73.7</b>             | <b>1,681.0</b> |
| Acquisition costs                          | Goodwill     | Trademarks and patents | Licenses and concessions | Customer relationships | Development and software | Other intangible assets | Total          |
| As of 1/1/2019                             | 430.7        | 90.3                   | 648.0                    | 151.8                  | 286.5                    | 73.7                    | 1,681.0        |
| Currency translation adjustments           | 4.1          | 2.7                    | 7.7                      | 1.0                    | 2.3                      | 0.1                     | 17.8           |
| Acquisitions through business combinations | 4.3          | 0.0                    | 2.1                      | 0.0                    | 0.3                      | 0.0                     | 6.6            |
| Additions                                  | 0.1          | 0.0                    | 3.4                      | 0.0                    | 13.1                     | 5.4                     | 22.0           |
| Disposals                                  | -7.6         | -1.5                   | -2.4                     | -18.1                  | -14.6                    | -5.5                    | -49.7          |
| Assets held for sale                       | 0.0          | 0.0                    | 0.0                      | 0.0                    | 0.0                      | 0.1                     | 0.1            |
| Reclassifications                          | 0.0          | 0.0                    | 0.0                      | 0.0                    | 2.4                      | -2.5                    | 0.0            |
| <b>As of 12/31/2019</b>                    | <b>431.6</b> | <b>91.5</b>            | <b>658.7</b>             | <b>134.7</b>           | <b>289.9</b>             | <b>71.2</b>             | <b>1,677.7</b> |
| Cumulative depreciation and amortization   | Goodwill     | Trademarks and patents | Licenses and concessions | Customer relationships | Development and software | Other intangible assets | Total          |
| As of 1/1/2018                             | 47.4         | 20.6                   | 188.0                    | 49.4                   | 133.4                    | 50.2                    | 488.9          |
| Currency translation adjustments           | 0.0          | -0.8                   | 0.9                      | -2.5                   | -3.4                     | 0.0                     | -5.8           |
| Acquisitions through business combinations | 0.0          | 0.3                    | 0.0                      | 1.7                    | 12.7                     | 0.0                     | 14.7           |
| Additions                                  | 0.0          | 3.6                    | 43.6                     | 12.8                   | 30.3                     | 3.7                     | 94.0           |
| Impairment                                 | 117.7        | 28.8                   | 22.6                     | 42.7                   | 68.8                     | 0.2                     | 281.0          |
| Disposals                                  | 0.0          | -0.3                   | -4.9                     | 0.0                    | -11.5                    | -2.5                    | -19.3          |
| Assets held for sale                       | -1.4         | -1.5                   | -5.1                     | -7.7                   | -6.4                     | -1.0                    | -23.0          |
| Reclassifications                          | 0.0          | 0.0                    | 0.1                      | 0.0                    | 0.7                      | -0.1                    | 0.7            |
| Impairment reversals                       | 0.0          | 0.0                    | -3.7                     | 0.0                    | 0.0                      | -1.0                    | -4.7           |
| <b>As of 12/31/2018</b>                    | <b>163.8</b> | <b>50.7</b>            | <b>241.4</b>             | <b>96.4</b>            | <b>224.8</b>             | <b>49.5</b>             | <b>826.5</b>   |
| Cumulative depreciation and amortization   | Goodwill     | Trademarks and patents | Licenses and concessions | Customer relationships | Development and software | Other intangible assets | Total          |
| As of 1/1/2019                             | 163.8        | 50.7                   | 241.4                    | 96.4                   | 224.8                    | 49.5                    | 826.5          |
| Currency translation adjustments           | 2.1          | 1.2                    | 0.1                      | 0.6                    | 1.6                      | 0.1                     | 5.6            |
| Acquisitions through business combinations | 0.0          | 0.0                    | 0.0                      | 0.0                    | 0.1                      | 0.0                     | 0.1            |
| Additions                                  | 0.0          | 3.3                    | 39.8                     | 7.3                    | 17.6                     | 3.8                     | 71.7           |
| Impairment                                 | 4.2          | 0.0                    | 8.2                      | 1.7                    | 0.3                      | 1.6                     | 16.1           |
| Disposals                                  | -7.4         | -1.3                   | -1.2                     | -18.0                  | -13.3                    | -1.3                    | -42.6          |
| Assets held for sale                       | 0.0          | 0.0                    | 0.0                      | 0.0                    | 0.0                      | 0.1                     | 0.1            |
| Reclassifications                          | 0.0          | 0.0                    | 0.0                      | 0.0                    | 0.0                      | 0.0                     | 0.0            |
| Impairment reversals                       | 0.0          | 0.0                    | -2.7                     | -1.7                   | -0.2                     | 0.0                     | -4.6           |
| <b>As of 12/31/2019</b>                    | <b>162.8</b> | <b>53.7</b>            | <b>285.6</b>             | <b>86.3</b>            | <b>230.8</b>             | <b>53.7</b>             | <b>872.9</b>   |
| <b>Carrying amounts as of 12/31/2018</b>   | <b>266.9</b> | <b>39.6</b>            | <b>406.5</b>             | <b>55.4</b>            | <b>61.7</b>              | <b>24.3</b>             | <b>854.5</b>   |
| <b>Carrying amounts as of 12/31/2019</b>   | <b>268.8</b> | <b>37.8</b>            | <b>373.1</b>             | <b>48.4</b>            | <b>59.1</b>              | <b>17.6</b>             | <b>804.8</b>   |



## Goodwill

Goodwill is allocated to the following groups of cash-generating units

| EUR m                              | 12/31/2019   | 12/31/2018   |
|------------------------------------|--------------|--------------|
| Gaming Operations – Germany        | 72.2         | 71.8         |
| Gaming Operations – United Kingdom | 26.5         | 25.4         |
| Gaming Operations – Italy          | 57.3         | 37.3         |
| Gaming Operations – Netherlands    | 10.6         | 10.5         |
| Gaming Operations – Online         | 10.3         | 11.5         |
| Gaming Operations – Spain          | 29.2         | 29.2         |
| Gaming Technology – United Kingdom | 4.4          | 3.9          |
| Gaming Technology – Italy          | 23.8         | 43.6         |
| Gaming Technology – Online         | 1.7          | 4.6          |
| Gaming Technology – Spain          | 7.9          | 7.9          |
| Gaming Technology – Germany        | 5.9          | 5.9          |
| Other                              | 19.0         | 15.4         |
| <b>Total</b>                       | <b>268.8</b> | <b>266.9</b> |

Goodwill with a single value below EUR 4.0 million is summarized under "Other."

## Intangible Assets with Indefinite Useful Lives

Intangible assets include licenses amounting to EUR 201.6 million (previous year: EUR 195.1 million) as well as trademarks totaling EUR 16.9 million (previous year: EUR 16.6 million) with indefinite useful lives. The licenses and trademarks are allocated to the following groups of cash-generating units. Single values below EUR 4.0 million are summarized under "Other".

| Licenses<br>EUR m                  | 12/31/2019   | 12/31/2018   |
|------------------------------------|--------------|--------------|
| Gaming Operations – Latvia         | 18.7         | 18.7         |
| Gaming Operations – Spain          | 47.7         | 48.8         |
| Gaming Operations – United Kingdom | 131.5        | 123.9        |
| Other                              | 3.8          | 3.8          |
| <b>Total</b>                       | <b>201.6</b> | <b>195.1</b> |

| Trademarks<br>EUR m           | 12/31/2019  | 12/31/2018  |
|-------------------------------|-------------|-------------|
| Gaming Technology – Ainsworth | 14.7        | 14.4        |
| Other                         | 2.2         | 2.2         |
| <b>Total</b>                  | <b>16.9</b> | <b>16.6</b> |

The useful life of the preceding intangible assets is indefinite because there is no prospect of an end to their economic use at the moment.

### Impairments and Reversals of Impairments

Details concerning impairment tests for intangible assets may be found under note (7.4).

### Research and Development Expenses

Internally generated intangible assets are only capitalized if the criteria stipulated by IAS 38.57 are fulfilled. Development costs that cannot be capitalized of EUR 105.4 million (previous year: EUR 98.4 million) were recognized through profit and loss under "Personnel costs", "Other operating expenses" and "Depreciation, amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property" in the 2019 fiscal year.

### (7.2) Right-of-use assets

The right-of-use assets recognized in connection with IFRS 16 Leases relate to the following types of assets:

|  | Real estate  | Gaming devices | Office and business equipment, vehicle fleet | Total        |
|--|--------------|----------------|--|--------------|
| First-time recognition 1/1/2019            | 654.9        | 32.8           | 7.0  | 694.7        |
| Currency translation adjustments           | 4.4          | 0.0            | 0.0  | 4.4          |
| Acquisitions through business combinations | 1.6          | 0.0            | 0.0  | 1.6          |
| Additions                                  | 73.0         | 17.5           | 3.1  | 93.6         |
| Depreciation and amortization              | -110.6       | -14.3          | -3.1   | -127.9       |
| Impairment                                 | -2.2         | 0.0            | 0.0  | -2.2         |
| <b>Carrying amount as of 12/31/2019</b>    | <b>621.0</b> | <b>36.0</b>    | <b>7.1</b>                                   | <b>664.1</b> |

The right-of-use assets stem primarily from the large number of gaming facilities operated (comprising slot arcades, casinos, sports betting outlets and bingo operations), most of which were rented from third parties. The underlying leases are negotiated individually and include a range of different conditions.

## (7.3) Property, Plant and Equipment EUR m

|  | Land and buildings | Plant and machinery | Factory and office equipment | Prepayments and property under construction | Total          |
|--|--------------------|---------------------|------------------------------|---|----------------|
| Acquisition costs                          |                    |                     |                              |   |                |
| As of 1/1/2018                             | 787.4              | 991.2               | 523.5                        | 113.3                                       | 2,415.4        |
| Currency translation adjustments           | 0.2                | -0.5                | -1.2                         | 0.0   | -1.5           |
| Acquisitions through business combinations | 46.4               | 75.8                | 20.5                         | 1.0   | 143.8          |
| Additions                                  | 50.7               | 271.2               | 76.0                         | 111.6                                       | 509.5          |
| Disposals                                  | -22.4              | -243.1              | -51.4                        | -11.4                                       | -328.3         |
| Assets held for sale                       | -33.1              | -99.7               | -38.7                        | -1.4  | -172.9         |
| Reclassifications                          | 15.3               | 146.0               | -7.7                         | -154.9                                      | -1.2           |
| <b>As of 12/31/2018</b>                    | <b>844.6</b>       | <b>1,141.1</b>      | <b>520.9</b>                 | <b>58.1</b>                                 | <b>2,564.7</b> |
| Acquisition costs                          |                    |                     |                              |   |                |
| As of 1/1/2019                             | 844.6              | 1,141.1             | 520.9                        | 58.1  | 2,564.7        |
| Currency translation adjustments           | 4.0                | 5.3                 | 2.9                          | 0.0   | 12.3           |
| Acquisitions through business combinations | 3.1                | 0.2                 | 1.4                          | 0.0   | 4.7            |
| Additions                                  | 59.0               | 132.3               | 61.7                         | 28.7  | 281.6          |
| Disposals                                  | -25.9              | -174.2              | -36.4                        | -6.0  | -242.5         |
| Assets held for sale                       | 0.0                | 0.0                 | 0.0                          | 0.0   | 0.0            |
| Reclassifications                          | 7.8                | 16.8                | 1.1                          | -25.7                                       | 0.0            |
| <b>As of 12/31/2019</b>                    | <b>892.6</b>       | <b>1,121.4</b>      | <b>551.7</b>                 | <b>55.2</b>                                 | <b>2,620.9</b> |
| Cumulative depreciation and amortization   |                    |                     |                              |   |                |
| As of 1/1/2018                             | 407.9              | 606.5               | 352.9                        | 6.5   | 1,373.7        |
| Currency translation adjustments           | -0.4               | -0.6                | -1.0                         | 0.0   | -2.0           |
| Acquisitions through business combinations | 3.3                | 20.3                | 13.3                         | 0.0   | 36.9           |
| Additions                                  | 36.6               | 177.1               | 54.7                         | 0.0   | 268.4          |
| Impairment                                 | 17.5               | 34.5                | 5.3                          | 29.4  | 86.7           |
| Disposals                                  | -17.2              | -193.6              | -34.6                        | 0.0   | -245.5         |
| Assets held for sale                       | -9.9               | -60.7               | -23.6                        | 0.0   | -94.2          |
| Reclassifications                          | 9.3                | -3.8                | -6.4                         | 0.1   | -0.7           |
| Impairment reversals                       | -3.8               | -2.2                | -1.3                         | -0.1  | -7.6           |
| <b>As of 12/31/2018</b>                    | <b>443.3</b>       | <b>577.5</b>        | <b>359.3</b>                 | <b>35.8</b>                                 | <b>1,415.9</b> |
| Cumulative depreciation and amortization   |                    |                     |                              |   |                |
| As of 1/1/2019                             | 443.3              | 577.5               | 359.3                        | 35.8  | 1,415.9        |
| Currency translation adjustments           | 1.6                | 3.7                 | 2.2                          | 0.0   | 7.5            |
| Acquisitions through business combinations | 0.4                | 0.0                 | 0.2                          | 0.0   | 0.6            |
| Additions                                  | 36.8               | 205.6               | 51.4                         | 0.0   | 293.7          |
| Impairment                                 | 5.1                | 7.3                 | 1.9                          | 4.5   | 18.8           |
| Disposals                                  | -13.9              | -128.9              | -22.8                        | 0.0   | -165.6         |
| Assets held for sale                       | 0.0                | 0.0                 | 0.0                          | 0.0   | 0.0            |
| Reclassifications                          | 0.2                | 1.2                 | -0.1                         | -1.3  | 0.0            |
| Impairment reversals                       | -1.3               | -0.4                | -0.8                         | -5.9  | -8.4           |
| <b>As of 12/31/2019</b>                    | <b>472.1</b>       | <b>666.1</b>        | <b>391.2</b>                 | <b>33.2</b>                                 | <b>1,562.5</b> |
| <b>Carrying amounts as of 12/31/2018</b>   | <b>401.3</b>       | <b>563.6</b>        | <b>161.6</b>                 | <b>22.3</b>                                 | <b>1,148.8</b> |
| <b>Carrying amounts as of 12/31/2019</b>   | <b>420.6</b>       | <b>455.4</b>        | <b>160.5</b>                 | <b>22.0</b>                                 | <b>1,058.4</b> |

Plant and machinery contains slot machines with a carrying amount of EUR 443.3 million (previous year: EUR 548.0) for the Group's own operations and rental.

In order to collateralize loans, liens were registered on property, plant and equipment (particularly property) in the amount of EUR 0.4 million (previous year: EUR 0.6 million).

## Impairments and Reversals of Impairments

Details concerning impairment tests for property, plant and equipment may be found under note (7.4).

### (7.4) Impairments and Reversals of Impairments

#### 7.4.1 Calculation Model and Principles

The recoverable amount is the higher value of the fair value less costs to sell and the value-in-use. Where capitalized earnings methods are applied, cash flow projections for a five-year period based on financial plans approved by the management are used. The cash flow projections are based on the detailed budget for the following fiscal year as well as forecasts for the subsequent four years derived therefrom. The main assumptions are based on the previous fiscal year, experiences of comparable businesses and the overall economic development. During the planning period, these base values are increased by development improvements estimated by the management in light of comparable projects, market potentials and risks.

Cash flows occurring after this detailed planning period of five years are calculated with a growth rate of 0 percent to 2 percent and, finally, on the basis of a perpetual annuity without a growth rate. The discount rates used for the cash flow forecasts are post-tax interest rates when calculating the fair value less costs to sell and pre-tax interest rates when calculating the value-in-use, taking respective country-specific risks into consideration.

| Groups of cash-generating units    | Recoverable amount           | Discount rate     | Pre-tax/post-tax interest rate                   |
|------------------------------------|------------------------------|-------------------|--|
| Gaming Operations – Germany        | Value-in-use                 | 12.23 %           | Pre-tax interest rate                            |
| Gaming Operations – United Kingdom | Value-in-use                 | 10.27 %           | Pre-tax interest rate                            |
| Gaming Operations – Italy          | Value-in-use                 | 13.78 %           | Pre-tax interest rate                            |
| Gaming Operations – Netherlands    | Value-in-use                 | 10.78 %           | Pre-tax interest rate                            |
| Gaming Operations – Online         | Value-in-use                 | 11.95 %           | Pre-tax interest rate                            |
| Gaming Operations – Spain          | Value-in-use                 | 12.73 %           | Pre-tax interest rate                            |
| Gaming Technology – United Kingdom | Value-in-use                 | 10.36 %           | Pre-tax interest rate                            |
| Gaming Technology – Italy          | Value-in-use                 | 14.47 %           | Pre-tax interest rate                            |
| Gaming Technology – Online         | Value-in-use                 | 25.04 %           | Pre-tax interest rate                            |
| Gaming Technology – Spain          | Value-in-use                 | 13.68 %           | Pre-tax interest rate                            |
| Gaming Technology – Germany        | Value-in-use                 | 11.68 %           | Pre-tax interest rate                            |
| Other                              | Fair value* and value-in-use | 9.53 % to 13.04 % | Post-tax interest rate and pre-tax interest rate |

\* Fair value less costs to sell

#### 7.4.2 Goodwill and Intangible Assets with Indefinite Useful Lives

The comparison of carrying amounts with the recoverable amounts for the (groups of) cash-generating units that was undertaken as part of the annual impairment test for goodwill and intangible assets with indefinite useful lives, which was carried out on September 30, 2019, resulted in an impairment in the amount of EUR 7.3 million (previous year: EUR 10.0 million) due to business not having developed as expected. The underlying cash flow forecasts are based on the financial plans approved by the company management (detailed budget for the following fiscal year and the derived forecasts for the subsequent four years).

The impairments made relate entirely to the (group of) cash-generating units Gaming Technology – Online and amount to EUR 4.1 million. This includes companies of the Greentube Group. The impairment is entirely attributable to the capitalized goodwill.

- The capital costs considered in the model (WACC before tax) are 25.04 percent.
- The growth rate considered in the model is 0.00 to 2.00 percent per annum.

Moreover, impairments relate to the (group of) cash-generating units Gaming Operations – Spain and amount to EUR 3.2 million. This includes all companies belonging to the Spanish operating company. The impairment is entirely attributable to capitalized licenses with indefinite useful lives.

- The capital costs considered in the model (WACC before tax) are 12.73 percent.
- The growth rate considered in the model is 0.00 to 2.00 percent per annum.

Goodwill and intangible assets with indefinite useful lives resulting from acquisitions or the occurrence of a triggering event after September 30, 2019 were tested as of December 31, 2019. No required impairment was identified.

In addition, the impairment test for the (group of) cash-generating units Gaming Technology – Ainsworth was performed on December 31, 2019. This did not result in any impairment losses for intangible assets with indefinite useful lives in the fiscal year. Impairment losses of EUR 108.3 million were charged to goodwill and EUR 27.8 million to trademark rights in the previous year.

- The capital costs considered in the model (WACC before tax) are 13.05 percent.
- The growth rate considered in the model is 0.00 percent per annum.

#### 7.4.3 (Other) Intangible Assets, Right-of-Use Assets, and Property, Plant and Equipment

The impairment tests carried out resulted in impairment losses of EUR 27.8 million (previous year: EUR 220.3 million) and reversals of impairment losses of EUR 13.4 million (previous year: EUR 10.7 million) on (other) intangible assets and property, plant and equipment. The impairment reversals made (with an individual value of over EUR 4.0 million) relate to the following (group of) cash-generating units: Gaming Operations – Italy with EUR 7.7 million (previous year: EUR 2.9 million), Gaming Operations – Germany with EUR 6.1 million (previous year: EUR 19.2 million), Gaming Technology – Germany with EUR 4.4 million (previous year: EUR 39.4 million), Gaming Technology – Ainsworth with EUR 1.7 million (previous year: EUR 128.2 million), Gaming Operations – Macedonia casinos with EUR 0.0 million (previous year: EUR 10.6 million) and Gaming Operations – Albanian lotteries EUR 0.0 million (previous year: EUR 4.2 million). Impairment reversals (with an individual value of EUR 4.0 million) relate to the (group of) cash-generating units Gaming Technology – Germany with EUR 5.9 million (previous year: EUR 0.7 million) and Gaming Operations – Germany with EUR 2.8 million (previous year: EUR 4.9 million).

The following takes a closer look at selected core markets:

##### Gaming Operations/Technology – Germany

In Germany, the First State Treaty amending the State Treaty on Gaming in Germany (Glücksspieländerungsstaatsvertrag, GlüÄndStV) came into effect from July 1, 2012. The First State Treaty amending the State Treaty regarding Gaming in Germany essentially involves creating distance regulations between gaming arcades and youth facilities. It also contains a ban on multiple concessions, and therefore limits one location to a maximum of 12 gaming devices. A (fundamental) transitional period of five years was granted to implement the restrictive new regulations, which means that the provisions were applicable from July 1, 2017.

For supplementary provisions, the GlüÄndStV refers to the executive regulations of the individual states stipulated by state laws on gaming arcades. These individual state laws on gaming arcades vary considerably. In certain cases, there are important differences regarding limitations on opening hours, distance regulations, advertising bans and player identification requirements.

As a result of the implementation of the State Treaty on Gaming Law and the accompanying state laws on gaming arcades, a noticeable market reduction has occurred since 2017 in the slot arcade sector. Slot arcades to be downscaled or closed will now inevitably have a negative impact on sales revenues from the rental of gaming terminals. However, the decline in the market is slower than envisaged by the legislature due to strong legal opposition to slot arcade closures and concession reductions.

In November 2014, a further amendment to the Gaming Ordinance was passed. This amendment includes further regulation aimed at improving the protection of players and minors, as well as preventing tax evasion and money laundering. A transitional period of four years was granted for the implementation of the Gaming Ordinance. As a result, since November 11, 2018, only devices may be operated in accordance with the new Gaming Ordinance. The German subsidiaries have already been working for a while to develop attractive products that could be made available to the customers upon expiration of the transitional period of the Gaming Ordinance.

Work also continued in the 2019 fiscal year on optimizing the product mix to fit market needs.

The focus of the German Group company LÖWEN Entertainment GmbH in the Gaming Technology segment is on the area of gaming machine rental. In light of the stricter regulatory framework, however, the number of rented gaming machines decreased during the reporting period by around 6,100 gaming terminals to some 78,700 units (as at the balance sheet date). In total, the German companies active in the Gaming Technology segment achieved revenues of EUR 284.1 million against EUR 282.5 million in 2018. The decline in income from rent and management services (EUR -2.2 million) was more than offset by the additional revenue generated by the sale of machine components (EUR +4.4 million).

The impairment test for assets in the Gaming Technology segment resulted in write-downs of EUR 4.4 million and impairment reversals of EUR 5.9 million. The assessment of these stocks of new machines, old machines, new components, and old components was based on whether the existing quantities could be used in the future, also bearing in mind that the entire private gaming market is shrinking as a result of the State Treaty Amending the Gaming Act. Write-downs were made if it was assumed that the assets would not be usable.

An impairment test was also carried out on the assets (in particular the goodwill) of the Gaming Technology – Germany cash-generating unit, resulting in a clear surplus.

- The capital costs considered in the model (WACC before tax) are 11.68 percent
- The growth rate considered in the model is 2.00 percent per annum.

In the Gaming Operations segment, NOVOMATIC had a strong market position with the German operating companies, which has been expanded in recent years through the acquisition of several small companies. The market reduction in the gaming arcade sector since 2017 as a result of the implementation of the State Treaty Amending the Gaming Act resulted in a noticeably higher utilization of the remaining gaming machines, which led to a compensation effect on revenues.

Due to the conversion to the new technical guideline 5.0 (TR 5.0), which became necessary as a result of the amended Gaming Ordinance, there has been a decline in revenues since the conversion date (November 11, 2018), which could be traced back to a temporary familiarization phase for guests. In addition, fewer gaming machines were operated than in the previous year (-742 gaming machines) due to the reduction in concessions. As a result of the general underlying conditions described above, revenues of EUR 315.8 million were generated in the reporting period, corresponding to a decrease of EUR 40.8 million.

As in previous years, impairment tests were carried out in 2019 for the assets of the German operating companies. The scope of the impairment test included all slot arcades run by the operating companies active in the area of commercial machine gaming. Locations with final permit approval were included in the impairment test on this basis. Scenarios for site and concession closures were in the foreground for all other locations, with the impact assessment of the gaming facilities taking into account the experience gained in the application process.

In total, the required impairment reversal amounted to EUR 6.1 million (previous year: EUR 19.2 million). The largest share of this

relates to the impairment of property, plant and equipment (in particular real estate and buildings, as well as factory and office equipment). The reevaluation led to the conclusion that a reversal of impairment was required for certain gaming facilities, as the assessment regarding the impact on the individual locations in question had changed. In total, the required impairment reversal amounted to EUR 2.8 million (previous year: EUR 4.9 million).

An impairment test was also carried out on the assets (in particular the goodwill) of the Gaming Operations Germany cash-generating unit, resulting in a clear surplus.

- The capital costs considered in the model (WACC before tax) are 12.23 percent.
- The growth rate considered in the model is 0.00 to 2.00 percent per annum.

Impairments (less impairment reversals) of a cumulative EUR 88.3 million (previous year: EUR 85.0 million) were made over the past few years on non-current assets in the Gaming Operations segment. The carrying amount of the intangible assets and property, plant and equipment, amounts to EUR 154.5 million (previous year: EUR 169.8 million) as of the balance sheet date. Of the stated carrying amount, EUR 16.9 million are attributable to locations without final permit approval as of December 31, 2019.

#### **Gaming Operations – Italy**

The Italian gaming market is characterized by annual changes in the legislation. A triggering event was identified in the fourth quarter of the fiscal year as a result of the increase in gaming taxes at the end of 2019. This meant that an impairment test was again carried out as of December 31.

The remeasurement resulted in the need for write-downs of EUR 5.6 million on gaming machine components which can no longer be used after the hike in gaming taxes. This was contrasted by write-ups of EUR 0.6 million when remeasuring the stock of machines. Write-downs of EUR 2.3 million and write-ups of EUR 1.4 million were identified as part of the measurement at the slot arcade level.

#### **Gaming Technology – Ainsworth**

The financial planning for a planning period of five years prepared by Ainsworth Game Technology Ltd. was used as the basis for the impairment test. The current business development was taken into account when preparing the financial plan.

Following an evaluation of the long-term earnings prospects, in particular due to performance problems in Australia, impairment losses of EUR 264.3 million were recognized in the previous year. Initially, the goodwill of EUR 108.3 million was written down in its entirety. The remaining impairment requirement of EUR 156.0 million was allocated pro rata to the other non-current assets affected. Accordingly, trademark rights were written down by EUR 27.8 million, customer relationships allocated to the individual regions by EUR 42.5 million, technology by EUR 67.5 million and gaming machines by EUR 18.2 million.

An impairment loss of EUR 1.7 million was identified in the 2019 fiscal year, which means the customer relationships were written down by the corresponding amount. On the basis of the standard impairment test as of December 31, there was no significant need for impairment or reversal of impairment for Ainsworth Game Technology Ltd. A sensitivity analysis was carried out as part of the impairment test for Ainsworth Game Technology Ltd, in the course of which a possible range for the enterprise value was determined by changes in the expected EBITDA and the discount rate. A range of -0.25 to +0.25 percentage points was applied for the change in the discount rate and a change of -2.5 percent and +2.5 percent for EBITDA. No significant need for impairment or reversal of impairment losses arose, taking into account the sensitivities performed.

**(7.5) Investment property**

| EUR m                            | 12/31/2019  | 12/31/2018  |
|----------------------------------|-------------|-------------|
| Balance as of 01/01              | 14.7        | 21.5        |
| Currency translation adjustments | 0.3         | -0.3        |
| Additions                        | 14.0        | 0.1         |
| Assets held for sale             | 0.0         | -3.6        |
| Reclassifications                | 0.0         | -1.2        |
| Depreciation and amortization    | -0.8        | -0.8        |
| Impairment                       | -0.1        | -1.0        |
| Impairment reversals             | 0.4         | 0.0         |
| <b>Balance as of 12/31</b>       | <b>28.5</b> | <b>14.7</b> |

Investment property denotes land and buildings held but not used in business operations. Gross carrying amounts come to EUR 44.7 million (previous year: EUR 30.1 million) as well as cumulative depreciation to EUR 16.2 million (previous year: EUR 15.4 million). Largely external valuation reports from regional independent experts were created every three years to determine the fair value. If the underlying assumptions have not materially changed, the reports are not updated. The fair value (fair value hierarchy – level 3) amounts to a total of EUR 28.5 million (previous year: EUR 14.7 million).

Both income and expenditures from investment property were insignificant.

**(7.6) Investments in associated companies**

| EUR m                                 | 12/31/2019 | 12/31/2018 |
|---------------------------------------|------------|------------|
| Balance as of 01/01                   | 2.9        | 1.4        |
| Additions                             | 0.0        | 0.2        |
| Impairment                            | -1.2       | 0.0        |
| Share of post-acquisition profits     | 0.5        | -1.4       |
| Change in shareholdings               | -0.2       | 0.0        |
| Changes in the scope of consolidation | 0.0        | 2.8        |
| <b>Balance as of 12/31</b>            | <b>2.1</b> | <b>2.9</b> |

The companies recognized using the equity method on the consolidated balance sheet are shown in the investment schedule. The following table shows the basic data from the balance sheet and profit and loss account of the companies recognized at equity, whereas the data corresponds to 100 percent and not to the percentage of shares owned by NOVOMATIC Group in associated companies:

| EUR m       | 12/31/2019 | 12/31/2018 |
|-------------|------------|------------|
| Assets      | 23.0       | 19.6       |
| Liabilities | 16.9       | 14.9       |
| Revenues    | 13.8       | 10.2       |
| Results     | 1.6        | 0.3        |



**(7.7) Financial assets**

| EUR m   | 12/31/2019   | 12/31/2018   |
|---|--------------|--------------|
| Investments in affiliated companies, non-consolidated | 4.7          | 5.8          |
| Securities  | 22.7         | 4.2          |
| Other investments                                     | 261.7        | 315.9        |
| <b>Total</b>  | <b>289.1</b> | <b>326.0</b> |

The NOVOMATIC Group indirectly holds a 9.45 percent interest in Österreichische Lotterien Gesellschaft mbH (ÖLG) and directly holds 17.19 percent in Casinos Austria Aktiengesellschaft (CASAG). These two financial investments are recognized under other investments with a fair value of a total of EUR 231.8 million (previous year: 284.3 million), as no significant influence may be exerted over the two companies. Details concerning the calculating of the fair values can be found under the notes to the financial instruments.

The securities primarily comprise stocks and promissory notes. They are not subject to any restraint of disposal.

**(7.8) Taxes**

Current taxes:

| EUR m                   | 12/31/2019 | 12/31/2018 |
|-------------------------|------------|------------|
| Current tax receivables | 23.0       | 52.5       |
| Current tax liabilities | 21.4       | 43.2       |

Deferred taxes:

| EUR m                    | 12/31/2019  | 12/31/2018   |
|--------------------------|-------------|--------------|
| Deferred tax assets      | 118.5       | 121.2        |
| Deferred tax liabilities | -121.4      | -140.6       |
| <b>Total</b>             | <b>-3.0</b> | <b>-19.5</b> |

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

| EUR m                                | 12/31/2019  | 12/31/2018   |
|--------------------------------------|-------------|--------------|
| Intangible assets                    | -80.2       | -90.5        |
| Right-of-use assets                  | -145.4      | 0.0          |
| Property, plant and equipment        | 46.4        | 48.3         |
| Financial assets                     | -18.9       | -28.6        |
| Other non-current assets             | -0.7        | -3.2         |
| Inventories                          | 14.8        | 15.5         |
| Current financial assets             | 0.7         | 0.5          |
| Trade and other receivables          | 3.8         | 7.8          |
| Non-current financial liabilities    | 0.5         | 0.7          |
| Non-current lease liabilities        | 124.9       | 0.0          |
| Other non-current liabilities        | 0.2         | 0.1          |
| Non-current provisions               | 6.1         | 9.1          |
| Current financial liabilities        | 0.0         | 0.0          |
| Current lease liabilities            | 26.6        | 0.0          |
| Current provisions                   | 1.2         | -0.8         |
| Trade payables and other liabilities | 9.9         | 10.3         |
| Tax loss carryforward                | 7.1         | 11.2         |
| <b>Total</b>                         | <b>-3.0</b> | <b>-19.5</b> |

Income tax charged directly to equity:

| EUR m  | 2019  | 2018  |
|--|-------|-------|
| Revaluation of financial assets                  | -15.0 | -27.9 |
| Revaluation of the net defined benefit liability | 4.9   | 3.8   |

Deferred taxes are both non-current at EUR -60.0 million (previous year: EUR -52.8 million) and current at EUR 57.0 million (previous year: EUR 33.4 million).

Pursuant to IAS 12, deferred tax assets on existing loss carryforwards were capitalized in the amount of EUR 7.1 million (previous year: EUR 11.2 million) as these can be offset against future taxable profits. Tax assets are netted with tax liabilities if they concern the same tax authority, and if the right and intention to offset exist.

In 2019, subsidiaries that incurred losses in the current year or the years carried forward tax losses in the amount of EUR 387.7 million (previous year: EUR 355.0 million) that can no longer be utilized. Of the deferred taxes not recognized and amounting to EUR 94.4 million (previous year: EUR 87.2 million) for taxable losses, EUR 0.5 million will expire in 2020 (previous year: EUR 0.2 million in 2019) and EUR 93.9 million in the years after 2021 (previous year: EUR 86.9 million in the years after 2020).

No deferred tax liabilities were carried for temporary differences between the pro rata IFRS equity and the taxable carrying amount of subsidiaries amounting to EUR 200.6 million (previous year: EUR 133.9 million), as the Group is able to control when the temporary differences are reversed and will probably not reverse the temporary differences in the foreseeable future.

**(7.9) Other non-current assets**

| EUR m                                  | 12/31/2019   | 12/31/2018   |
|--|--------------|--------------|
| Loans                                  | 21.0         | 16.4         |
| Finance lease receivables              | 21.3         | 16.6         |
| Purchase price receivables             | 6.9          | 8.3          |
| Deposits with gaming authorities       | 19.7         | 20.8         |
| Miscellaneous other non-current assets | 15.2         | 20.3         |
| Trade receivables                      | 24.9         | 25.6         |
| <b>Total</b>                           | <b>109.1</b> | <b>108.1</b> |

The trade receivables amounting to EUR 24.9 million (previous year: EUR 25.6 million) relate to sales transactions with longterm payment terms. The gross carrying amounts of EUR 26.2 million were reduced by impairments of EUR -1.3 million; this corresponds to an expected loss ratio of 5.1 percent.

Finance lease receivables arise from agreements with customers for gaming machines. Please see Note (12) for information on the maturities.

**(7.10) Inventories**

| EUR m                          | 12/31/2019   | 12/31/2018   |
|--------------------------------|--------------|--------------|
| Raw materials and supplies     | 102.6        | 131.4        |
| Work in progress               | 18.3         | 21.4         |
| Finished goods and trade goods | 140.5        | 138.0        |
| Prepayments                    | 2.5          | 3.7          |
| <b>Total</b>                   | <b>263.9</b> | <b>294.5</b> |

The inventory total includes inventory write-downs amounting to EUR 82.1 million (previous year: EUR 81.8 million).

**(7.11) Trade receivables, other receivables and assets**

| EUR m  | 12/31/2019   | 12/31/2018   |
|--|--------------|--------------|
| Trade receivables                                      | 280.0        | 274.3        |
| Receivables from non-consolidated affiliated companies | 4.0          | 6.1          |
| Contract assets  | 0.0          | 6.0          |
| Prepaid expenses                                       | 37.1         | 33.5         |
| Purchase price receivables                             | 1.9          | 9.6          |
| Precious metals  | 43.8         | 54.2         |
| Other tax receivables, excluding income taxes          | 6.3          | 12.2         |
| Other current receivables and assets                   | 51.8         | 41.8         |
| <b>Total</b>   | <b>424.8</b> | <b>437.7</b> |

Trade receivables and valuation allowances are broken down as follows:

| EUR m                          | 12/31/2019   |                      |                     |                 |
|--------------------------------|--------------|----------------------|---------------------|-----------------|
|                                | Gross amount | Valuation allowances | Expected loss ratio | Carrying amount |
| Receivables not overdue        | 145.4        | -2.5                 | 1.7 %               | 142.9           |
| overdue up to 30 days          | 57.0         | -1.1                 | 1.9 %               | 55.9            |
| overdue between 30 and 60 days | 19.5         | -0.7                 | 3.4 %               | 18.8            |
| overdue between 60 and 90 days | 14.3         | -0.5                 | 3.4 %               | 13.8            |
| overdue for more than 90 days  | 69.0         | -20.5                | 29.7 %              | 48.5            |
| <b>Total</b>                   | <b>305.2</b> | <b>-25.3</b>         |                     | <b>280.0</b>    |

| EUR m                          | 12/31/2018   |                      |                     |                 |
|--------------------------------|--------------|----------------------|---------------------|-----------------|
|                                | Gross amount | Valuation allowances | Expected loss ratio | Carrying amount |
| Receivables not overdue        | 169.7        | -5.6                 | 3.3 %               | 164.2           |
| overdue up to 30 days          | 46.0         | -2.1                 | 4.6 %               | 43.9            |
| overdue between 30 and 60 days | 18.8         | -0.6                 | 3.0 %               | 18.2            |
| overdue between 60 and 90 days | 12.8         | -0.3                 | 2.3 %               | 12.5            |
| overdue for more than 90 days  | 65.3         | -29.8                | 45.6 %              | 35.5            |
| <b>Total</b>                   | <b>312.6</b> | <b>-38.3</b>         |                     | <b>274.3</b>    |

The trade receivables shown above include impairment charges amounting to EUR -25.3 million (previous year: EUR -38.3 million). The impairment expenses for the reporting period are recognized as other operating expenses in the profit and loss account.

Receivables from non-consolidated affiliated companies contain trade receivables of EUR 3.4 million (previous year: EUR 3.6 million).

Precious metals with a carrying amount of EUR 43.8 million (previous year: EUR 54.2 million) are measured through profit and loss at the current market value (fair value hierarchy – level 2). The change in value of EUR 7.6 million (previous year: EUR 2.1 million) resulting from the revaluation of the precious metals is reported under other operating income.

Other current receivables and assets are comprised primarily of the offset with payment service providers, prepayments and deferred income.

#### (7.12) Current financial assets

| EUR m                          | 12/31/2019  | 12/31/2018  |
|--------------------------------|-------------|-------------|
| Securities                     | 3.1         | 3.5         |
| Loans                          | 14.6        | 16.8        |
| Finance lease receivables      | 9.7         | 10.8        |
| Derivatives                    | 0.0         | 0.4         |
| Other current financial assets | 1.0         | 2.1         |
| <b>Total</b>                   | <b>28.4</b> | <b>33.5</b> |

**(7.13) Cash and cash equivalents**

| EUR m         | 12/31/2019   | 12/31/2018   |
|---------------|--------------|--------------|
| Cash          | 163.6        | 160.1        |
| Bank balances | 367.5        | 378.4        |
| <b>Total</b>  | <b>531.1</b> | <b>538.5</b> |

The stated cash in the amount of EUR 163.6 million (previous year: EUR 160.1 million) largely serves as cash reserves and base filling of the gaming machines at the various gaming establishments.

**(7.14) Share capital**

The share capital of EUR 26.6 million (previous year: EUR 26.6 million) is fully paid up and is divided into 26,590,000 registered no-par value shares. Each share corresponds to EUR 1.0 of the share capital.

**(7.15) Capital reserves**

The capital reserves of EUR 85.4 million (previous year: EUR 85.4 million) are tied-up reserves.

**(7.16) Retained earnings**

The retained earnings consist of the Group's consolidated profit for the year and of the accumulated profits from previous periods. Retained earnings also include the revaluation of the net defined benefit liability with EUR -13.2 million (previous year: EUR -10.4 million). The change of EUR -2.9 million (previous year: EUR -0.7 million) is reported under other comprehensive income.

A distribution of EUR 50.0 million is planned from the balance sheet profit of NOVOMATIC AG in accordance with the Austrian Commercial Code (UGB).

**(7.17) Revaluation reserve**

The revaluation reserve includes the revaluation of financial assets (FVTOCI) with EUR 43.3 million (previous year: EUR 82.2 million). The change of EUR -38.9 million (previous year: EUR 34.4 million) is reported under other comprehensive income.

**(7.18) Currency translation adjustment**

Upon consolidation, differences from the translation of foreign subsidiaries at the exchange rates prevailing on the balance sheet date are transferred to this position. For the 2019 fiscal year, changes in the currency translation adjustment amount to EUR 19.9 million (previous year: EUR -23.2 million) in other comprehensive income. The final consolidation led to a reclassification of EUR 2.0 million (previous year: EUR 0.1 million) from other comprehensive income to the income statement.

**(7.19) Non-controlling interests**

Non-controlling interests consist of the interests in equity of consolidated subsidiaries held by other shareholders. The portion allocable to the non-controlling interests from change of foreign currency translation adjustments in the amount of EUR 2.4 million (previous year: EUR -6.2 million) is stated in other comprehensive income.

Subsidiaries with non-controlling interests:

| EUR m  | 12/31/2019                    |   |                                      | 12/31/2018                    |   |                                      |
|--|-------------------------------|---|--------------------------------------|-------------------------------|---|--------------------------------------|
|  | Non-controlling interests (%) | Profit/loss attributable to non-controlling interests | Accumulated non-controlling interest | Non-controlling interests (%) | Profit/loss attributable to non-controlling interests | Accumulated non-controlling interest |
| <b>Gaming Technology</b>                     |                               |   |                                      |                               |   |                                      |
| Ainsworth Game Technology Limited, Australia | 47.1 %                        | -2.5  | 125.4                                | 47.1 %                        | -53.7   | 125.5                                |
| <b>Gaming Operations</b>                     |                               |   |                                      |                               |   |                                      |
| Admiralu Klubs SIA, Latvia                   | 40 %                          | 3.4   | 25.2                                 | 40 %                          | 3.3   | 25.6                                 |
| Alfor SIA, Latvia                            | 40 %                          | 8.4   | 20.7                                 | 40 %                          | 8.7   | 19.3                                 |
| Automáticos Surmatic S.L., Spain             | 40 %                          | 0.1   | 4.9                                  | 40 %                          | 0.0   | 5.1                                  |
| Basque Gaming S.L., Spain                    | 49 %                          | 1.4   | 28.9                                 | 49 %                          | 2.1   | 27.6                                 |
| <b>Marginal non-controlling interest</b>     |                               | -2.3  | 6.0                                  |                               | -4.6  | 9.1                                  |
|  |                               | <b>8.5</b>  | <b>211.2</b>                         |                               | <b>-44.1</b>  | <b>212.1</b>                         |

The amounts held as non-controlling interest correspond to the voting rights.

A summary of financial information regarding Group subsidiaries with significant non-controlling interests (before Group-internal elimination) is presented in the following table:

| EUR m                                      | 12/31/2019                                   |                            |                   |                                  |                           |
|--|--|----------------------------|-------------------|----------------------------------|---------------------------|
|  | Ainsworth Game Technology Limited, Australia | Admiralu Klubs SIA, Latvia | Alfor SIA, Latvia | Automáticos Surmatic S.L., Spain | Basque Gaming S.L., Spain |
| <b>Balance sheet</b>                       |  |                            |                   |                                  |                           |
| Non-current assets                         | 181.3  | 59.1                       | 40.9              | 18.7                             | 73.5                      |
| Current assets                             | 152.2  | 13.5                       | 31.8              | 3.0                              | 5.5                       |
| Non-current liabilities                    | 41.8   | 6.1                        | 11.6              | 7.9                              | 17.0                      |
| Current liabilities                        | 27.5   | 3.4                        | 9.5               | 1.5                              | 2.9                       |
| <b>Profit and loss account</b>             |  |                            |                   |                                  |                           |
| Revenues                                   | 139.1  | 28.2                       | 85.0              | 10.3                             | 16.4                      |
| Annual result                              | -5.3   | 8.5                        | 21.1              | 0.1                              | 2.8                       |
| Dividends paid to non-controlling interest | 0.0  | 3.8                        | 7.0               | 0.2                              | 0.0                       |
| <b>Cash flow</b>                           |  |                            |                   |                                  |                           |
| from operating activities                  | 35.7   | 12.7                       | 33.0              | 3.0                              | 8.8                       |
| from investing activities                  | -17.7  | -7.8                       | -7.6              | -0.3                             | -3.9                      |
| from financing activities                  | -24.0  | -11.0                      | -21.1             | -1.9                             | -5.0                      |
| Net change in cash and cash equivalents    | -6.0   | -6.2                       | 4.4               | 0.8                              | -0.1                      |

| EUR m                                      | 12/31/2018  |                               |                      |  |                              |
|--|---|-------------------------------|----------------------|--|------------------------------|
|  | Ainsworth<br>Game Techno-<br>logy Limited,<br>Australia | Admiralu Klubs<br>SIA, Latvia | Alfor SIA,<br>Latvia | Automáticos<br>Surmatic S.L.,<br>Spain | Basque Gaming<br>S.L., Spain |
| <b>Balance sheet</b>                       |   |                               |                      |  |                              |
| Non-current assets                         | 183.7   | 45.2                          | 25.2                 | 15.2                                   | 68.0                         |
| Current assets                             | 159.3   | 20.7                          | 28.6                 | 1.9                                    | 5.2                          |
| Non-current liabilities                    | 49.8  | 0.0                           | 0.0                  | 2.8                                    | 11.0                         |
| Current liabilities                        | 28.8  | 1.8                           | 5.6                  | 1.5                                    | 6.0                          |
| <b>Profit and loss account</b>             |   |                               |                      |  |                              |
| Revenues                                   | 167.1   | 27.8                          | 81.6                 | 10.9                                   | 14.7                         |
| Annual result                              | -113.9  | 8.3                           | 21.8                 | 0.1                                    | 4.3                          |
| Dividends paid to non-controlling interest | 3.6   | 0.0                           | 7.2                  | 0.7                                    | 0.0                          |
| <b>Cash flow</b>                           |   |                               |                      |  |                              |
| from operating activities                  | 43.5  | 10.6                          | 25.2                 | 3.5                                    | 8.4                          |
| from investing activities                  | -20.2   | -3.7                          | -4.7                 | -2.0                                   | -7.6                         |
| from financing activities                  | -7.2  | 0.0                           | -18.0                | -1.6                                   | 0.8                          |
| Net change in cash and cash equivalents    | 16.0  | 7.0                           | 2.5                  | -0.1                                   | 1.6                          |

During the 2019 fiscal year, the Group increased its share of ownership in some subsidiaries.

#### (7.20) Non-current financial liabilities

| EUR m                                   | 12/31/2019     | 12/31/2018     |
|---|----------------|----------------|
| Bonds                                   | 695.7          | 694.5          |
| Bank loans                              | 515.1          | 867.9          |
| Other non-current financial liabilities | 11.3           | 11.6           |
| <b>Total</b>                            | <b>1,222.1</b> | <b>1,574.0</b> |

NOVOMATIC AG issued bonds with the following terms and conditions:

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Nominal value            | 200 EUR m        | 500 EUR m        |
| Term                     | 2014-2021        | 2016-2023        |
| Denomination             | EUR 500.–        | EUR 500.–        |
| Nominal interest rate    | 3.00 % p.a.      | 1.625 % p.a.     |
| Coupon                   | 06/23 every year | 09/20 every year |
| Redemption               | 6/23/2021 bullet | 9/20/2023 bullet |
| Closing price 12/31/2019 | EUR 103.263      | EUR 101.598      |
| ISIN                     | AT0000A182L5     | AT0000A1LHT0     |

The bonds are listed on the second regulated market at the Vienna Stock Exchange. The fair value of bonds amounts to EUR 714.5 million (previous year: EUR 957.9 million), of which EUR 714.5 million (previous year: EUR 711.4 million) for the non-current portion and EUR 0.0 million (previous year: EUR 246.5 million) for the current portion.

The fair value of bank loans amounts to EUR 519.4 million (previous year: EUR 871.0 million) Bank loans with a term of between one and five years amount to EUR 423.6 million (previous year: EUR 719.0 million) and to EUR 91.5 million (previous year: EUR 149.0 million) with a term of over five years.

The weighted average interest rate comes to 1.891 percent (previous year: 1.827 percent).

**(7.21) Non-current lease liabilities**

Non-current lease liabilities of EUR 567.9 million (January 1, 2019: EUR 593.4 million) are due to the application of IFRS 16 Leases. The lease payments are divided into a repayment component and a financing component. The repayment portion is offset against the existing lease liabilities, while the financing component is recognized as interest expense in the income statement.

**(7.22) Non-current provisions**

| EUR m                            | 12/31/2019  | 12/31/2018  |
|----------------------------------|-------------|-------------|
| Provision for severance payments | 38.4        | 33.9        |
| Provision for Pensions           | 17.8        | 19.7        |
| Provision for Jubilee Payments   | 8.6         | 7.5         |
| Other Non-Current Provisions     | 12.9        | 34.6        |
| <b>Total</b>                     | <b>77.6</b> | <b>95.7</b> |

**Provision for severance payments**

Due to legal or collectively agreed obligations, employees in Austria and Italy are entitled to receive severance payments upon termination of employment or upon reaching normal retirement age. Such entitlements depend on their years of service and final compensation levels. For the future liabilities, provisions are generated according to actuarial principles. The provision for pensions was calculated in accordance with IAS 19 (projected unit credit method) using an interest rate of 0.71 percent to 1.07 percent (previous year: 1.57 percent to 1.97 percent) and assuming a pay increase from 1.0 percent to 2.5 percent (previous year: 1.0 percent to 2.5 percent). The estimated retirement age refers to the earliest possible retirement age according to local legislation. Discounts due to fluctuations or other factors are not taken into account.

Development of the provision for severance payments:

| EUR m   | 12/31/2019  | 12/31/2018  |
|---|-------------|-------------|
| Balance as of 01/01   | 33.9        | 30.2        |
| <b>Amounts recognized in the profit and loss account</b>          |             |             |
| Current service cost (+)  | 4.2         | 5.3         |
| Interest cost (+)   | 0.7         | 0.7         |
| <b>Remeasurement of the period (other comprehensive income)</b>   |             |             |
| Actuarial gains/losses from the change in demographic assumptions | 1.2         | 1.3         |
| Actuarial gains/losses from the change in financial assumptions   | 1.3         | -1.0        |
| Payments (-)  | -2.8        | -2.6        |
| Change in the consolidation scope                                 | -0.3        | 0.1         |
| <b>Present value of obligations as of 12/31</b>                   | <b>38.4</b> | <b>33.9</b> |



Sensitivity analysis for severance payments:

| EUR m           | Change of the parameter | Change in the present value of obligation<br>12/31/2019 |
|-----------------|-------------------------|---|
| Discount rate   | 0,5 %                   | -1,2  |
| Discount rate   | -0,5 %                  | 1,1   |
| Salary increase | 0,5 %                   | 1,1   |
| Salary increase | -0,5 %                  | -1,2  |

As of December 31, 2019, the average maturity of severance obligations is 10 to 12 years (previous year: 10 to 13 years), depending on the country. Payments in the amount of EUR 5.2 million (previous year: EUR 6.1 million) are expected for the next fiscal year.

### Provision for Pensions

Due to individual agreements, some Group companies are obligated to accord a pension allowance to Executive Board members and employees beginning with the date of their retirement. The amounts of such entitlements depend on years of service and final compensation levels. Measurement was made pursuant to IAS 19 using the projected unit credit method with an interest rate of up to 0.9 percent (previous year: 1.95 percent to 1.97 percent) and a value adjustment of up to 1.75 percent (previous year: 1.75 percent to 3.0 percent).

Development of the provision for pensions:

| EUR m   | 12/31/2019  | 12/31/2018  |
|---|-------------|-------------|
| Balance as of 01/01   | 19.7        | 19.0        |
| <b>Amounts recognized in the profit and loss account</b>        |             |             |
| Current service cost (+)  | 0.2         | 0.1         |
| Interest cost (+)   | 0.4         | 0.3         |
| Profits from settlement (-)                                     | -3.8        | 0.0         |
| <b>Remeasurement of the period (other comprehensive income)</b> |             |             |
| Actuarial gains/losses from the change in financial assumptions | 1.7         | 0.8         |
| Payments (-)  | -0.5        | -0.5        |
| <b>Present value of obligations as of 12/31</b>                 | <b>17.8</b> | <b>19.7</b> |

Sensitivity analysis for pensions:

|                  | Change of the parameter | Change in the present value of obligation |
|------------------|-------------------------|---|
| EUR m            |                         | 12/31/2019                                |
| Discount rate    | 0.5 %                   | -0.8                                      |
| Discount rate    | -0.5 %                  | 1.1                                       |
| Pension increase | 0.5 %                   | 1.1                                       |
| Pension increase | -0.5 %                  | -0.8                                      |

As of December 31, 2019, the average maturity of pension obligations is between less than 1 year and 14 years (previous year: between 1 and 13 years), depending on the country. Payments in the amount of EUR 0.5 million (previous year: EUR 0.5 million) are expected for the next fiscal year.

### Provision for Jubilee Payments

After a long period of service with the company, employees are entitled to jubilee payments arising from collective agreements. Measurement of jubilee payments was made using a discount rate of 0.95 percent to 1.48 percent (previous year: 1.73 percent to 1.97 percent) and assuming a pay increase of 2.0 percent to 4.0 percent (previous year: 1.75 percent to 2.5 percent). A fluctuation discount based on an internal statistic concerning withdrawals of the previous three years and considering probable individual continuance in the company until the jubilee payment is due was taken into account.

Development of the provision for jubilee payments:

| EUR m  | 12/31/2019 | 12/31/2018 |
|--|------------|------------|
| Balance as of 01/01                                      | 7.5        | 6.4        |
| <b>Amounts recognized in the profit and loss account</b> |            |            |
| Current service cost (+)                                 | 1.1        | 1.2        |
| Interest cost (+)  | 0.1        | 0.1        |
| Net actuarial gains/losses                               | 0.3        | 0.1        |
| Payments (-)   | -0.3       | -0.4       |
| Change in the consolidation scope                        | -0.1       | 0.0        |
| <b>Present value of obligations as of 12/31</b>          | <b>8.6</b> | <b>7.5</b> |

### Other Non-Current Provisions

The other non-current provisions essentially concern provisions for dismantling and restoration obligations, as well as anticipated losses from orders. The development of other non-current provisions is shown below:

| EUR m                                    | 12/31/2019  | 12/31/2018  |
|--|-------------|-------------|
| Balance as of 01/01                      | 34.6        | 28.1        |
| Currency translation adjustments         | 0.3         | -0.3        |
| Changes in the scope of consolidation    | -8.1        | 0.4         |
| Utilization                              | -13.2       | -6.2        |
| Release                                  | -6.3        | -6.7        |
| Allocation                               | 5.6         | 19.2        |
| Compounding                              | -0.1        | 0.2         |
| <b>Balance of provisions as of 12/31</b> | <b>12.9</b> | <b>34.6</b> |

**(7.23) Other non-current liabilities**

| EUR m                         | 12/31/2019 | 12/31/2018  |
|-------------------------------|------------|-------------|
| Deferred income               | 0.5        | 0.4         |
| Other non-current liabilities | 3.3        | 5.1         |
| Purchase price obligations    | 2.5        | 12.1        |
| <b>Total</b>                  | <b>6.3</b> | <b>17.6</b> |

Purchase price obligations comprise contingent considerations from business combinations as well as obligations from written put options for non-controlling interests.

**(7.24) Current financial liabilities**

| EUR m                         | 12/31/2019   | 12/31/2018   |
|-------------------------------|--------------|--------------|
| Bond                          | 0.0          | 246.0        |
| Current bank liabilities      | 314.8        | 37.9         |
| Current financial liabilities | 1.3          | 2.8          |
| Derivatives                   | 0.3          | 0.8          |
| <b>Total</b>                  | <b>316.4</b> | <b>287.4</b> |

NOVOMATIC AG paid the bullet bond (ISIN AT0000A0XSN7) with an issue volume of EUR 250.0 million on time on January 28, 2019.

**(7.25) Current lease liabilities**

Current lease liabilities of EUR 121.1 million (January 1, 2019: EUR 121.4 million) are due to the application of IFRS 16 Leases. The lease payments are divided into a repayment component and a financing component. The repayment portion is offset against the existing lease liabilities, while the financing component is recognized as interest expense in the income statement.

**(7.26) Current provisions**

| EUR m                                 | Other provisions for personnel | Warranties | Obligations for legal issues | Other current provisions | Total       |
|---------------------------------------|--------------------------------|------------|------------------------------|--------------------------|-------------|
| As of 12/31/2018                      | 16.4                           | 4.4        | 10.7                         | 34.4                     | 65.9        |
| Currency translation adjustments      | 0.3                            | 0.0        | 0.0                          | 0.3                      | 0.6         |
| Changes in the scope of consolidation | 0.1                            | 0.0        | 0.0                          | 0.0                      | 0.1         |
| Utilization                           | -14.0                          | -1.7       | -7.4                         | -20.6                    | -43.6       |
| Release                               | -1.6                           | -1.3       | -1.8                         | -8.8                     | -13.6       |
| Allocation                            | 14.7                           | 1.6        | 3.9                          | 27.8                     | 48.1        |
| Liabilities held for sale             | -0.1                           | 0.0        | 0.0                          | -1.1                     | -1.2        |
| Reclassifications                     | 0.0                            | 0.0        | 0.0                          | -0.5                     | -0.5        |
| <b>As of 12/31/2019</b>               | <b>15.8</b>                    | <b>3.1</b> | <b>5.3</b>                   | <b>31.5</b>              | <b>55.8</b> |

The other current provisions primarily relate to taxes and fees, as well as provisions for anticipated losses from orders.

**(7.27) Trade payables and other liabilities**

| EUR m  | 12/31/2019   | 12/31/2018   |
|--|--------------|--------------|
| Trade payables                                     | 85.1         | 91.1         |
| Payables to non-consolidated affiliated companies  | 1.8          | 9.4          |
| Contract liabilities                               | 19.1         | 15.8         |
| Reimbursement liability                            | 3.9          | 2.4          |
| Deferred income                                    | 40.0         | 49.3         |
| Liabilities to employees                           | 62.0         | 56.7         |
| Other liabilities from social security obligations | 13.4         | 14.8         |
| Other tax liabilities, excluding income taxes      | 121.4        | 118.3        |
| Purchase price obligations                         | 49.2         | 48.0         |
| Other current liabilities                          | 43.1         | 55.4         |
| <b>Total</b>                                       | <b>439.2</b> | <b>461.1</b> |

Deferred income consists mainly of special rent payments for slot machines and loyalty rewards for clients in Germany.

Purchase price obligations cover contingent considerations from business combinations as well as purchase price components from business combinations not yet due.

Other current liabilities consist mainly of deposits received, outstanding invoices and accrued interest.

**(8) Notes to the Income Statement**

The income statement was prepared applying the total cost method.

**(8.1) Revenues**

| EUR m                                    | 2019           | 2018               |
|--|----------------|--------------------|
| Sales revenues                           | 395.6          | 388.1              |
| Income from slot machines                | 1.265.9        | 1.264.4            |
| Live game                                | 47.5           | 49.1               |
| Income from rent and management services | 537.8          | 519.4              |
| Betting revenues                         | 175.3          | 156.0              |
| eBusiness income                         | 152.2          | 134.4 <sup>1</sup> |
| Income from food and beverage            | 42.6           | 44.2               |
| Other sales                              | 69.6           | 84.2 <sup>1</sup>  |
| Sales reductions                         | -79.3          | -54.5              |
| <b>Total</b>                             | <b>2.607.3</b> | <b>2.585.3</b>     |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

Revenues are recognized at EUR 2,069.5 million (previous year: EUR 2,066.0 million) from customer contracts and EUR 537.8 million (previous year: EUR 519.4 million) from other sources – rental income.

Revenues result from the settlement of performance obligations of EUR 2,043.3 million (previous year: EUR 2,044.8 million) at a certain point in time and EUR 563.9 million (previous year: EUR 540.5 million) over a period of time. Revenues realized at a point in time of EUR 444.7 million (previous year: EUR 433.5 million) relate to the "Gaming Technology" segment, EUR 1,597.1 million (previous year: EUR 1,610.0 million) to the "Gaming Operations" segment and EUR 1.5 million (previous year: EUR 1.3 million) to the "Other" segment. Revenues realized over a period of time of EUR 510.3 million (previous year: EUR 506.4 million) relate to the "Gaming Technology" segment, EUR 52.9 million (previous year: EUR 33.6 million) to the "Gaming Operations" segment and EUR 0.8 million (previous year: EUR 0.6 million) to the "Other" segment.

#### (8.2) Gaming taxes and betting fees

| EUR m        | 2019          | 2018          |
|--------------|---------------|---------------|
| Gaming taxes | -287.8        | -274.7        |
| Betting fees | -24.5         | -22.4         |
| <b>Total</b> | <b>-312.3</b> | <b>-297.1</b> |

#### (8.3) Changes in Inventories of Finished Goods and Work in Progress as well as Own Work Capitalized

| EUR m   | 2019        | 2018              |
|---|-------------|-------------------|
| Changes in inventories of finished goods and work in progress | 16.9        | 24.8 <sup>1</sup> |
| Own work capitalized  | 69.8        | 279.8             |
| <b>Total</b>  | <b>86.7</b> | <b>304.6</b>      |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

Own work capitalized consists mainly of internally produced electronic gaming machines.

#### (8.4) Other operating income

| EUR m   | 2019        | 2018              |
|---|-------------|-------------------|
| Income from the disposal of intangible assets and property, plant and equipment | 23.0        | 15.1              |
| Foreign exchange gains  | 7.3         | 9.9 <sup>1</sup>  |
| Sale of companies   | 4.3         | 4.4               |
| Other operating income  | 63.2        | 44.1 <sup>1</sup> |
| <b>Total</b>  | <b>97.8</b> | <b>73.6</b>       |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

Income from the sale of companies is generated from the sale of fully consolidated subsidiaries.

Other operating income includes, in particular, proceeds from tronc (voluntarily surrendered share of players' winnings, i.e. tips), insurance, revaluation of precious metals, charter services, onward charging, and other ancillary income.

#### (8.5) Cost of material and other purchased services

| EUR m              | 2019          | 2018                |
|--------------------|---------------|---------------------|
| Cost of material   | -317.6        | -479.8 <sup>1</sup> |
| Purchased services | -8.6          | -15.7 <sup>1</sup>  |
| <b>Total</b>       | <b>-326.2</b> | <b>-495.5</b>       |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

**(8.6) Personnel costs**

| EUR m  | 2019          | 2018                |
|--|---------------|---------------------|
| Wages and salaries   | -619.9        | -602.2 <sup>1</sup> |
| Expenses for severance payments  | -10.7         | -10.4 <sup>1</sup>  |
| Expenses for pensions  | -0.7          | -2.5 <sup>1</sup>   |
| Cost of statutory social security, payroll-related taxes and mandatory contributions | -128.5        | -127.4 <sup>1</sup> |
| Other social expenses  | -12.9         | -12.6 <sup>1</sup>  |
| <b>Total</b>   | <b>-772.8</b> | <b>-755.1</b>       |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

Expenses for severance payments include EUR 1.7 million (previous year: EUR 2.3 million) and expenses for pensions include EUR 0.1 million (previous year: EUR 0.9 million) for defined contribution plans.

The average number of employees developed as follows:

|                    | 2019          | 2018          |
|--------------------|---------------|---------------|
| Salaried employees | 7,725         | 8,088         |
| Workers            | 14,542        | 15,101        |
| <b>Total</b>       | <b>22,267</b> | <b>23,189</b> |

The average number of employees within NOVOMATIC group – considering the business areas under discontinued operations – is in total 23,633 (previous year: 26,185), thereof salaried employees 7,924 (previous year: 9,001) and workers 15,709 (previous year: 17,184).

**(8.7) Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property**

| EUR m                               | 2019          | 2018                |
|-------------------------------------|---------------|---------------------|
| Scheduled depreciation/amortization | -366.1        | -330.9 <sup>1</sup> |
| Impairment                          | -35.1         | -366.9 <sup>1</sup> |
| Impairment reversals                | 13.4          | 10.7                |
| <b>Total</b>                        | <b>-387.8</b> | <b>-687.0</b>       |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

The breakdown of the depreciation/amortization for the year according to the individual asset classes is shown in notes (7.1), (7.3) and (7.4).

Impairments of EUR 13.2 million (previous year: EUR 310.9 million) relate to the "Gaming Technology" segment, EUR 21.9 million (previous year: EUR 54.7 million) to the "Gaming Operations" segment and EUR 0.0 million (previous year: EUR 1.3 million) to the "Other" segment. Impairment reversals of EUR 7.7 million (previous year: EUR 0.8 million) relate to the "Gaming Technology" segment, EUR 5.1 million (previous year: EUR 10.0 million) to the "Gaming Operations" segment and EUR 0.6 million (previous year: EUR 0.0 million) to the "Other" segment.

**(8.8) Amortization, depreciation, impairment and reversal of impairment for right-of-use assets**

| EUR m                               | 2019          | 2018       |
|-------------------------------------|---------------|------------|
| Scheduled depreciation/amortization | -127.9        | 0.0        |
| Impairment                          | -2.2          | 0.0        |
| <b>Total</b>                        | <b>-130.2</b> | <b>0.0</b> |

The breakdown of the depreciation/amortization for the year according to the individual asset classes is shown in notes (7.2) and (7.4).

Impairments concern the Gaming Technology segment to an amount of EUR 0.6 million and the Gaming Operations segment to an amount of EUR 1.6 million.

#### (8.9) Other operating expenses

| EUR m   | 2019          | 2018                |
|---|---------------|---------------------|
| Other taxes, fees and charges                           | -78.2         | -81.2 <sup>1</sup>  |
| Maintenance   | -55.1         | -51.7 <sup>1</sup>  |
| Energy costs  | -38.5         | -38.0 <sup>1</sup>  |
| Telephone, communications                               | -18.5         | -16.9 <sup>1</sup>  |
| Rental, lease and operating expenses                    | -36.5         | -179.6 <sup>1</sup> |
| Insurance costs   | -6.6          | -6.1                |
| Vehicle fleet operation costs                           | -15.1         | -15.6 <sup>1</sup>  |
| Legal, audit and consulting costs                       | -36.6         | -42.4 <sup>1</sup>  |
| Other services received                                 | -40.2         | -48.3 <sup>1</sup>  |
| Advertising costs                                       | -120.3        | -122.5 <sup>1</sup> |
| Traveling costs   | -16.5         | -17.3 <sup>1</sup>  |
| Development costs                                       | -24.6         | -16.9 <sup>1</sup>  |
| License costs   | -19.5         | -17.5 <sup>1</sup>  |
| Commissions   | -17.9         | -18.2               |
| Partners' shares  | -27.0         | -24.9 <sup>1</sup>  |
| Bad debt and valuation adjustment                       | -7.2          | -13.9 <sup>1</sup>  |
| Loss from the disposal of property, plant and equipment | -6.9          | -6.1                |
| Security costs  | -23.8         | -21.4 <sup>1</sup>  |
| Foreign exchange losses                                 | -7.8          | -8.1 <sup>1</sup>   |
| Other expenses  | -115.2        | -131.2 <sup>1</sup> |
| Utilization / Release of provisions                     | 16.8          | 10.7 <sup>1</sup>   |
| <b>Total</b>  | <b>-695.3</b> | <b>-867.3</b>       |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

The first-time application of IFRS 16 Leases led, among other things, to a change in the presentation of rental expenses on the balance sheet. For further details, please refer to the comments on accounting and valuation methods (4) and note (12).

Other expenses include, in particular, outgoing freight, charged costs, various services, fees for money transactions, contributions, and administrative costs.

#### (8.10) Interest income

| EUR m                               | 2019       | 2018        |
|-------------------------------------|------------|-------------|
| Interest income                     | 6.1        | 6.0         |
| Interest income from finance leases | 2.9        | 4.6         |
| <b>Total</b>                        | <b>9.0</b> | <b>10.5</b> |

**(8.11) Other financial income**

| EUR m                                       | 2019        | 2018        |
|---|-------------|-------------|
| Dividends from other investments            | 26.9        | 10.9        |
| Fair value valuation of interest rate swaps | 0.3         | 0.1         |
| Other financial income                      | 8.8         | 2.2         |
| <b>Total</b>                                | <b>36.0</b> | <b>13.1</b> |

Dividends from other investments of EUR 22.5 million (previous year: EUR 7.2 million) were generated by financial investments and around EUR 4.4 million (previous year: EUR 3.7 million) by other investments.

**(8.12) Interest expenses**

| EUR m                      | 2019         | 2018         |
|----------------------------|--------------|--------------|
| Interest expenses          | -13.5        | -12.1        |
| Interest expenses on bonds | -15.3        | -24.7        |
| <b>Total</b>               | <b>-28.8</b> | <b>-36.8</b> |

**(8.13) Interest expenses for leases**

| EUR m                        | 2019         | 2018       |
|------------------------------|--------------|------------|
| Interest expenses for leases | -19.9        | 0.0        |
| <b>Total</b>                 | <b>-19.9</b> | <b>0.0</b> |

**(8.14) Other financial expenses**

| EUR m  | 2019         | 2018         |
|--|--------------|--------------|
| Losses from the disposal of financial assets         | -1.6         | -0.2         |
| Impairment of financial assets, loans and securities | -2.1         | -10.4        |
| Other financial expenses                             | -9.8         | -12.0        |
| <b>Total</b>   | <b>-13.6</b> | <b>-22.5</b> |

**(8.15) Currency exchange gains/losses from intra-group financing**

Foreign currency effects resulting from intra-group financing are stated separately in this item because of their close connection to financing activities. Currency exchange gains and losses from intra-group financing amount to EUR 0.8 million (previous year: EUR 7.9 million).

**(8.16) Tax expenses**

| EUR m  | 2019         | 2018               |
|--|--------------|--------------------|
| Current income tax expense                   | -44.1        | -74.6 <sup>1</sup> |
| Current income tax relating to other periods | -8.2         | 8.8                |
| Deferred tax income/expense                  | 5.7          | 99.2               |
| <b>Total</b>                                 | <b>-46.5</b> | <b>33.5</b>        |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8



The reconciliation of the income tax burden applying the Austrian corporation tax rate of 25 percent (previous year: 25 percent) on the effective tax rate for the 2019 fiscal year is as follows:

| EUR m  | 2019          | 2018                      |
|--|---------------|---------------------------|
| <b>Earnings before taxes</b>   | <b>150.4</b>  | <b>-166.1<sup>1</sup></b> |
| <b>Computed income tax expense of 25 percent (previous year: 25 percent)</b>                               | <b>-37.6</b>  | <b>41.5<sup>1</sup></b>   |
| <b>Adjustment of the computed income tax expense</b>   |               |                           |
| Adjustment for differing foreign tax rates   | 5.9           | 15.2 <sup>1</sup>         |
| Effects of non-taxable income  | 10.4          | 5.1 <sup>1</sup>          |
| Effects of non-deductible expenses   | -11.7         | -45.5                     |
| Effects of tax advantages  | 1.7           | 1.2                       |
| Actual income tax relating to other periods  | 0.0           | 8.4                       |
| Effects of change in income tax rate on deferred taxes   | -0.2          | 1.0                       |
| Effects of initially not recognized and unused tax losses and possible offsets on the actual tax expense   | 6.2           | 4.2                       |
| Effects of initially not recognized and unused tax losses and possible offsets on the deferred tax expense | 10.9          | 9.4 <sup>1</sup>          |
| Effects of adjustments or of the reversal of a previous adjustment of a deferred tax asset                 | -3.7          | -0.8                      |
| Effects of unused tax losses and possible offsets not recognized as deferred taxes                         | -27.9         | -9.3 <sup>1</sup>         |
| Withholding tax  | -0.5          | -0.8                      |
| Other  | -0.1          | 3.7 <sup>1</sup>          |
| <b>Effective tax expense</b>   | <b>-46.5</b>  | <b>33.5</b>               |
| <b>Effective tax rate in %</b>   | <b>30.9 %</b> | <b>20.2 %</b>             |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

Income taxes included in the other comprehensive income:

| EUR m  | 2019 | 2018  |
|--|------|-------|
| Revaluation of financial assets (FVTOCI)         | 12.9 | -11.1 |
| Revaluation of the net defined benefit liability | 1.1  | 0.3   |

**(8.17) Non-current assets and disposal groups held for sale and liabilities directly related to non-current assets and disposal groups held for sale, as well as result from discontinued operations**

The classification, presentation and measurement requirements of IFRS 5 were applied to the Croatia, UK Gaming Technology, NLS Group, and Spanish casinos divisions. The sales which have already been completed were explained in detail under (6) Company Sales, meaning that the associated assets and liabilities and the result from discontinued operations are summarized here:

| EUR m   | 2019       | 2018         |
|---|------------|--------------|
| Croatia   | 0.0        | 52.6         |
| UK Gaming Technology  | 0.0        | 108.0        |
| NLS Group   | 0.0        | 0.0          |
| Spanish Casinos   | 0.0        | 1.8          |
| Other   | 3.6        | 3.6          |
| <b>Non-current assets and disposal groups held for sale</b> | <b>3.6</b> | <b>166.0</b> |

|   |            |             |
|---|------------|-------------|
| Croatia   | 0.0        | 5.7         |
| UK Gaming Technology  | 0.0        | 43.8        |
| NLS Group   | 0.0        | 0.0         |
| Spanish Casinos   | 0.0        | 2.9         |
| Other   | 0.0        | 0.0         |
| <b>Liabilities directly related to non-current assets and disposal groups held for sale</b> | <b>0.0</b> | <b>52.4</b> |

| EUR m                                      | 2019        | 2018             |
|--|-------------|------------------|
| Croatia                                    | 0.9         | -10.3            |
| UK Gaming Technology                       | 5.0         | -12.8            |
| NLS Group                                  | -12.5       | 5.6 <sup>1</sup> |
| Other                                      | 0.0         | -4.7             |
| <b>Result from discontinued operations</b> | <b>-6.6</b> | <b>-22.3</b>     |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

Non-current assets held for sale in the amount of EUR 3.6 million include a property not required for operations in eastern Austria that is available for sale.

## (9) Notes on the Cash Flow Statement

Cash flow from operating, investing and financing activities is shown separately in the consolidated cash flow statement. The consolidated cash flow statement was prepared in accordance with the indirect method. Liquid funds correspond to cash and cash equivalents as well as bank balances stated on the balance sheet.

The Group undertook the following non-cash investing and financing activities that are not reflected in the cash flow statement: Receivables from the sale of consolidated companies of EUR 0.0 million (previous year: EUR 8.5 million) and liabilities or charges from the acquisition of companies of EUR 0.0 million (previous year: EUR 8.6 million). The recognized right-of-use assets and lease liabilities constitute non-cash items to begin with. Only the ongoing lease payments lead to an outflow of funds, which is shown in the cash flow statement under financing activities. Open lease liabilities amounted to EUR 689.0 million at the end of the year.

## (10) Notes on Segment Reporting

For management purposes, the NOVOMATIC Group is divided into two business segments. These strategic segments form the basis for the segment reporting.

The "Gaming Technology" segment includes the production, sale and rental of gaming and entertainment machines, and the online B2B business.

The "Gaming Operations" segment consists of the operation of casinos and electronic gaming machine casinos, the betting business (in particular sports and horse-racing betting), and the online B2C business.

The valuations for the segment reporting correspond to the accounting policies used for the IFRS consolidated financial statement. Those assets and liabilities that are not directly related to the gaming operation are summarized under the heading "Other". Reconciliation comprises adjustments due to the consolidation.

The inter-segment exchange of goods and services shows the supply and service relationships between the operating segments. The charging is carried out at arm's length. Intercompany expenses, income and profits are eliminated in the reconciliation of segment revenues and/or segment results to the amounts disclosed in the consolidated financial statement.

Segment assets consist mainly of intangible assets, right-of-use assets (from 2019), property, plant and equipment, inventories, trade receivables, and cash balances. In line with the internal reporting system and segment management, intra-group leases are not recognized for the lessee, but are instead carried as expenses for the period. Segment liabilities consist mainly of trade payables, lease liabilities (from 2019), provisions, and deferred income. During the reconciliation of the segment assets and liabilities, intercompany receivables and liabilities are eliminated as part of the consolidation of debts.

Unallocated assets and/or debts comprise those items on the balance sheet that are not defined as segment assets or segment debts and are used for the reconciliation with the consolidated value.

## Segment Revenues

| EUR m                  |                   |                   |            |                |                | 2019 |
|------------------------|-------------------|-------------------|------------|----------------|----------------|------|
|                        | Gaming Technology | Gaming Operations | Other      | Reconciliation | Total          |      |
| External revenues      | 955.0             | 1,650.0           | 2.3        | 0.0            | 2,607.3        |      |
| Inter-segment revenues | 142.8             | 16.0              | 6.0        | -164.8         | 0.0            |      |
| <b>Total revenues</b>  | <b>1,097.8</b>    | <b>1,665.9</b>    | <b>8.3</b> | <b>-164.8</b>  | <b>2,607.3</b> |      |

| EUR m                  |                    |                      |                  |                     |                | 2018 |
|------------------------|--------------------|----------------------|------------------|---------------------|----------------|------|
|                        | Gaming Technology  | Gaming Operations    | Other            | Reconciliation      | Total          |      |
| External revenues      | 939.9 <sup>1</sup> | 1,643.6 <sup>1</sup> | 1.8 <sup>1</sup> | 0.0                 | 2,585.3        |      |
| Inter-segment revenues | 152.9              | 1.6                  | 5.4 <sup>1</sup> | -159.9 <sup>1</sup> | 0.0            |      |
| <b>Total revenues</b>  | <b>1,092.7</b>     | <b>1,645.3</b>       | <b>7.2</b>       | <b>-159.9</b>       | <b>2,585.3</b> |      |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

## Segment Result

| EUR m                                       |                   |                   |              |                |              | 2019 |
|---|-------------------|-------------------|--------------|----------------|--------------|------|
|   | Gaming Technology | Gaming Operations | Other        | Reconciliation | Total        |      |
| <b>Segment result (EBIT)</b>                | <b>76.7</b>       | <b>101.6</b>      | <b>-10.7</b> | <b>-0.3</b>    | <b>167.4</b> |      |
| Financial result                            |                   |                   |              |                | -16.9        |      |
| Earnings before taxes                       |                   |                   |              |                | 150.4        |      |
| Tax expenses                                |                   |                   |              |                | -46.5        |      |
| <b>Net result from continued operations</b> |                   |                   |              |                | <b>103.9</b> |      |

| EUR m                                       |                           |                         |                         |                          |               | 2018 |
|---|---------------------------|-------------------------|-------------------------|--------------------------|---------------|------|
|   | Gaming Technology         | Gaming Operations       | Other                   | Reconciliation           | Total         |      |
| <b>Segment result (EBIT)</b>                | <b>-194.5<sup>1</sup></b> | <b>73.0<sup>1</sup></b> | <b>-7.0<sup>1</sup></b> | <b>-10.0<sup>1</sup></b> | <b>-138.6</b> |      |
| Financial result                            |                           |                         |                         |                          | -27.5         |      |
| Earnings before taxes                       |                           |                         |                         |                          | -166.1        |      |
| Tax expenses                                |                           |                         |                         |                          | 33.5          |      |
| <b>Net result from continued operations</b> |                           |                         |                         |                          | <b>-132.6</b> |      |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

## Segment Assets and Liabilities

| EUR m               |                   |                   |       |                |                                  | 2019    |
|---------------------|-------------------|-------------------|-------|----------------|----------------------------------|---------|
|                     | Gaming Technology | Gaming Operations | Other | Reconciliation | Non-allocated assets/liabilities | Total   |
| Segment assets      | 1,578.1           | 1,812.3           | 64.3  | -75.2          | 969.9                            | 4,349.4 |
| Segment liabilities | 392.1             | 940.7             | 6.0   | -76.8          | 1,687.3                          | 2,949.3 |

| EUR m               |                      |                      |                   |                |                                  | 2018    |
|---------------------|----------------------|----------------------|-------------------|----------------|----------------------------------|---------|
|                     | Gaming Technology    | Gaming Operations    | Other             | Reconciliation | Non-allocated assets/liabilities | Total   |
| Segment assets      | 1,738.6 <sup>1</sup> | 1,179.5 <sup>1</sup> | 61.6 <sup>1</sup> | -84.1          | 1,203.5 <sup>1</sup>             | 4,099.1 |
| Segment liabilities | 354.1 <sup>1</sup>   | 343.7 <sup>1</sup>   | 7.2 <sup>1</sup>  | -83.7          | 2,119.1 <sup>1</sup>             | 2,740.4 |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

## Other Segment Information

| EUR m  |                     |                     |                   |                | 2019   |
|--|---------------------|---------------------|-------------------|----------------|--------|
|  | Gaming Technology   | Gaming Operations   | Other             | Reconciliation | Total  |
| Scheduled depreciation/<br>amortization      | -242.3              | -248.6              | -3.0              | 0.0            | -494.0 |
| Impairment                                   | -13.8               | -23.6               | 0.0               | 0.0            | -37.4  |
| Impairment reversals                         | 7.7                 | 5.2                 | 0.6               | 0.0            | 13.5   |
| Investments                                  | 153.0               | 138.1               | 12.5              | 0.0            | 303.6  |
| Investments in right-of-use<br>assets        | 17.5                | 76.1                | 0.0               | 0.0            | 93.6   |
| Investments through<br>business combinations | 0.2                 | 12.0                | 0.0               | 0.0            | 12.2   |
| Income from associates                       | -1.2                | 0.0                 | 0.7               | 0.0            | -0.5   |
| Carrying amount of<br>associated companies   | 0.1                 | 0.0                 | 2.0               | 0.0            | 2.1    |
| EUR m  |                     |                     |                   |                | 2018   |
|  | Gaming Technology   | Gaming Operations   | Other             | Reconciliation | Total  |
| Scheduled depreciation/<br>amortization      | -195.2 <sup>1</sup> | -132.7 <sup>1</sup> | -3.0 <sup>1</sup> | 0.0            | -330.9 |
| Impairment                                   | -310.9 <sup>1</sup> | -54.7               | -1.3              | 0.0            | -366.9 |
| Impairment reversals                         | 0.8                 | 10.0                | 0.0               | 0.0            | 10.7   |
| Investments                                  | 387.3               | 146.4 <sup>1</sup>  | 8.2 <sup>1</sup>  | 0.0            | 541.9  |
| Investments through<br>business combinations | 459.2               | 20.3                | 0.0               | 0.0            | 479.4  |
| Income from associates                       | 0.0                 | 0.0                 | 0.2               | 0.0            | 0.2    |
| Carrying amount of<br>associated companies   | 1.3                 | 0.0                 | 1.6               | 0.0            | 2.9    |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

## Geographical Information

The Group recorded the following revenues and assets in the individual regions:

| EUR m             |              |              |              |                |              |                 |                |                 |              |                      | 2019           |
|-------------------|--------------|--------------|--------------|----------------|--------------|-----------------|----------------|-----------------|--------------|----------------------|----------------|
|                   | Austria      | Germany      | Italy        | United Kingdom | Spain        | The Netherlands | Eastern Europe | Other countries | Online       | Non-allocated assets | Total          |
| Gaming Technology | 66.4         | 284.1        | 167.5        | 20.6           | 70.2         | 10.8            | 85.5           | 198.6           | 51.3         | –                    | 955.0          |
| Gaming Operations | 289.9        | 423.9        | 217.2        | 179.6          | 86.3         | 85.0            | 290.0          | 0.0             | 78.1         | –                    | 1,649.9        |
| Other             | 0.0          | 0.3          | 0.0          | 0.1            | 0.0          | 0.0             | 0.0            | 2.0             | 0.0          | –                    | 2.3            |
| <b>Revenues</b>   | <b>356.3</b> | <b>708.3</b> | <b>384.7</b> | <b>200.2</b>   | <b>156.4</b> | <b>95.8</b>     | <b>375.5</b>   | <b>200.6</b>    | <b>129.3</b> | <b>–</b>             | <b>2,607.3</b> |
| <b>Assets</b>     | <b>541.6</b> | <b>745.1</b> | <b>474.1</b> | <b>353.1</b>   | <b>327.2</b> | <b>100.8</b>    | <b>390.1</b>   | <b>387.6</b>    | <b>60.0</b>  | <b>969.9</b>         | <b>4,349.4</b> |

| EUR m             |                          |                          |                          |                          |                          |                         |                          |                          |                         |                            | 2018           |
|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|----------------------------|----------------|
|                   | Austria                  | Germany                  | Italy                    | United Kingdom           | Spain                    | The Netherlands         | Eastern Europe           | Other countries          | Online                  | Non-allocated assets       | Total          |
| Gaming Technology | 71.9 <sup>1</sup>        | 282.5                    | 193.5                    | 10.7                     | 70.7                     | 13.2                    | 78.3                     | 210.7 <sup>1</sup>       | 8.5                     | –                          | 939.9          |
| Gaming Operations | 280.6                    | 441.5                    | 207.6                    | 153.8                    | 81.4                     | 79.7                    | 297.3                    | 0.0 <sup>1</sup>         | 101.7                   | –                          | 1,643.6        |
| Other             | 0.0                      | 0.0                      | 0.0                      | 0.1                      | 0.0                      | 0.0                     | 0.0                      | 1.7 <sup>1</sup>         | 0.0                     | –                          | 1.8            |
| <b>Revenues</b>   | <b>352.5</b>             | <b>724.0</b>             | <b>401.1</b>             | <b>164.6</b>             | <b>152.1</b>             | <b>92.8</b>             | <b>375.6</b>             | <b>212.4</b>             | <b>110.2</b>            | <b>–</b>                   | <b>2,585.3</b> |
| <b>Assets</b>     | <b>491.7<sup>1</sup></b> | <b>622.3<sup>1</sup></b> | <b>467.7<sup>1</sup></b> | <b>265.5<sup>1</sup></b> | <b>271.2<sup>1</sup></b> | <b>76.3<sup>1</sup></b> | <b>279.8<sup>1</sup></b> | <b>374.9<sup>1</sup></b> | <b>46.2<sup>1</sup></b> | <b>1,203.5<sup>1</sup></b> | <b>4,099.1</b> |

<sup>1</sup> Adjustment of previous year's figures according to IAS 8

Revenues are allocated to the individual regions based on the domicile of the company recording such revenues. The geographical segment Online includes all companies whose business activities are mainly or exclusively in the online area.

## (11) Notes on Financial Instruments

| 12/31/2019                                      |   | Measurement acc. to IFRS 9 |  |   |                       |             |
|---|---|----------------------------|--|---|-----------------------|-------------|
| EUR m   | Financial assets and financial liabilities at fair value through profit or loss |                            |  | Financial assets at fair value through other comprehensive income |                       |             |
|   | Investments in non-consolidated entities and securities                         | Derivatives                | Purchase price obligations (contingent considerations) | Investments   | Financial investments | Securities  |
| <b>Financial assets</b>                         |   |                            |  |   |                       |             |
| Financial assets                                | 4.8   |                            |  | 29.9  | 231.8                 | 18.1        |
| Other non-current assets                        |   |                            |  |   |                       |             |
| Trade receivables, other receivables and assets |   |                            |  |   |                       |             |
| Current financial assets                        |   |                            |  |   |                       | 3.1         |
| Cash and cash equivalents                       |   |                            |  |   |                       |             |
| <b>TOTAL</b>                                    | <b>4.8</b>  | <b>0.0</b>                 | <b>0.0</b>   | <b>29.9</b>   | <b>231.8</b>          | <b>21.2</b> |
| <b>Financial liabilities</b>                    |   |                            |  |   |                       |             |
| Non-current financial liabilities               |   |                            |  |   |                       |             |
| Other non-current liabilities                   |   |                            |  |   |                       |             |
| Current financial liabilities                   |   | 0.3                        |  |   |                       |             |
| Trade payables and other liabilities            |   |                            |  |   |                       |             |
| <b>TOTAL</b>                                    | <b>0.0</b>  | <b>0.3</b>                 | <b>0.0</b>   | <b>0.0</b>  | <b>0.0</b>            | <b>0.0</b>  |
| 12/31/2018                                      |   | Measurement acc. to IFRS 9 |  |   |                       |             |
| EUR m   | Financial assets and financial liabilities at fair value through profit or loss |                            |  | Financial assets at fair value through other comprehensive income |                       |             |
|   | Investments in non-consolidated entities and securities                         | Derivatives                | Purchase price obligations (contingent considerations) | Investments   | Financial investments | Securities  |
| <b>Financial assets</b>                         |   |                            |  |   |                       |             |
| Financial assets                                | 5.9   |                            |  | 31.6  | 284.3                 | 0.2         |
| Other non-current assets                        |   |                            |  |   |                       |             |
| Trade receivables, other receivables and assets |   |                            |  |   |                       |             |
| Current financial assets                        |   | 0.4                        |  |   |                       | 3.5         |
| Cash and cash equivalents                       |   |                            |  |   |                       |             |
| <b>TOTAL</b>                                    | <b>5.9</b>  | <b>0.4</b>                 | <b>0.0</b>   | <b>31.6</b>   | <b>284.3</b>          | <b>3.7</b>  |
| <b>Financial liabilities</b>                    |   |                            |  |   |                       |             |
| Non-current financial liabilities               |   |                            |  |   |                       |             |
| Other non-current liabilities                   |   |                            | 3.0  |   |                       |             |
| Current financial liabilities                   |   | 0.8                        |  |   |                       |             |
| Trade payables and other liabilities            |   |                            | 1.7  |   |                       |             |
| <b>TOTAL</b>                                    | <b>0.0</b>  | <b>0.8</b>                 | <b>4.7</b>   | <b>0.0</b>  | <b>0.0</b>            | <b>0.0</b>  |

Measurement acc. to IFRS 9

## Financial assets and financial liabilities at amortized cost

| Cash and cash equivalents | Trade and lease receivables | Loans       | Bonds        | Bank liabilities | Lease liabilities | Trade payables | Other receivables and liabilities | Purchase price obligations (written put options) |
|---------------------------|-----------------------------|-------------|--------------|------------------|-------------------|----------------|-----------------------------------|--|
|                           | 46.2                        | 27.9        |              |                  |                   |                | 30.1                              |  |
|                           | 283.4                       |             |              |                  |                   |                | 39.2                              |  |
|                           | 9.7                         | 14.6        |              |                  |                   |                | 1.0                               |  |
| 531.1                     |                             |             |              |                  |                   |                |                                   |  |
| <b>531.1</b>              | <b>339.3</b>                | <b>42.5</b> | <b>0.0</b>   | <b>0.0</b>       | <b>0.0</b>        | <b>0.0</b>     | <b>70.4</b>                       | <b>0.0</b>                                       |
|                           |                             | 1.4         | 695.7        | 515.1            | 567.9             |                | 9.9                               |  |
|                           |                             |             |              |                  |                   |                | 4.8                               |  |
|                           |                             | 1.3         |              | 314.8            | 121.1             |                |                                   |  |
|                           |                             |             |              |                  |                   | 86.4           | 35.6                              | 47.4   |
| <b>0.0</b>                | <b>0.0</b>                  | <b>2.7</b>  | <b>695.7</b> | <b>829.9</b>     | <b>689.0</b>      | <b>86.4</b>    | <b>50.3</b>                       | <b>47.4</b>                                      |

Measurement acc. to IFRS 9

## Financial assets and financial liabilities at amortized cost

| Cash and cash equivalents | Trade and lease receivables | Loans       | Bonds        | Bank liabilities | Lease liabilities | Trade payables | Other receivables and liabilities | Purchase price obligations (written put options) |
|---------------------------|-----------------------------|-------------|--------------|------------------|-------------------|----------------|-----------------------------------|--|
|                           | 42.3                        | 24.7        |              |                  |                   |                | 34.2                              |  |
|                           | 280.5                       |             |              |                  |                   |                | 38.6                              |  |
|                           | 10.8                        | 16.8        |              |                  |                   |                | 2.0                               |  |
| 538.5                     |                             |             |              |                  |                   |                |                                   |  |
| <b>538.5</b>              | <b>333.6</b>                | <b>41.5</b> | <b>0.0</b>   | <b>0.0</b>       | <b>0.0</b>        | <b>0.0</b>     | <b>74.8</b>                       | <b>0.0</b>                                       |
|                           |                             | 1.6         | 694.5        | 867.9            | 1.5               |                | 10.0                              |  |
|                           |                             |             |              |                  |                   |                | 6.7                               | 6.5  |
|                           |                             | 2.8         | 246.0        | 37.9             | 0.9               |                |                                   |  |
|                           |                             |             |              |                  |                   | 100.5          | 47.2                              | 42.1   |
| <b>0.0</b>                | <b>0.0</b>                  | <b>4.4</b>  | <b>940.5</b> | <b>905.8</b>     | <b>2.4</b>        | <b>100.5</b>   | <b>63.9</b>                       | <b>48.6</b>                                      |



## Valuation of Financial Instruments

For financial instruments, the following tables show the carrying amounts and the fair values of the individual financial assets and liabilities by category in accordance with IFRS 9.

### a) Fair Value of Financial Assets and Liabilities Carried at Regularly Evaluated Fair Value

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

| EUR m  | 12/31/2019 | 12/31/2018 | Hierarchy   |
|--|------------|------------|-------------|
| <b>Financial assets</b>                                |            |            |             |
| Investments in non-consolidated entities               | 4.7        | 5.8        | Level 3     |
| Investments – Other                                    | 29.9       | 31.6       | Level 3     |
| Investments – Financial investments                    | 231.8      | 284.3      | Level 1 / 3 |
| Securities – Equity instruments                        | 20.4       | 2.9        | Level 1     |
| Securities – Debt instruments                          | 0.8        | 0.8        | Level 1     |
| Securities – Investment funds                          | 0.1        | 0.1        | Level 1     |
| Derivatives (positive market values)                   | 0.0        | 0.4        | Level 2     |
| <b>Financial liabilities</b>                           |            |            |             |
| Derivatives (negative market values)                   | 0.3        | 0.8        | Level 2     |
| Purchase price obligations – Contingent considerations | 0.0        | 4.7        | Level 3     |

Shares in non-consolidated companies are recognized at fair value through profit or loss and other investments at fair value through other comprehensive income. The valuation is based on recognized income approaches. The expected cash flows from the multi-year planning are discounted with a specific country discount rate.

The financial investments include the indirectly held 9.45 percent interest in Österreichische Lotterien Gesellschaft mbH (ÖLG) and the directly held 17.19 percent in Casinos Austria Aktiengesellschaft (CASAG). For the market value measurement of financial investments, internally created company valuations were used applying recognized multiplier methods or current transaction prices.

For the market value measurement of Österreichische Lotterien Gesellschaft mbH, an industry multiple derived from a peer group of seven international lottery companies was applied. The main input factor for this is the average ratio of enterprise value to EBITDA or to EBIT for the selected peer group which is based on current market data and represents the average market capitalization. At the time of submitting the offer or acquiring the interest, the EV/EBITDA multiplier was 7.83 and the EV/EBIT multiplier 8.89. The updated determination of the stated multipliers led to an EV/EBITDA multiplier of 9.17 and an EV/EBIT multiplier of 13.35. Firstly, the pro-rated EBITDAs and EBITs of ÖLG and its (sub-)subsidiaries from the most recent financial information were calculated using these two multipliers. The entity value so calculated was increased by the net financial assets or reduced by the net financial liabilities, and adjusted for the pro rata equity of subordinated investments. This equity value for 100 percent shares was adjusted for the share acquisition taking into account an unchanged premium of 12.36 percent on the EBITDA basis or 13.17 percent on the EBIT basis and determined for the 9.45 percent shareholding in line with the proportionate market value. An increase in the multiplier of 0.5 would lead to an increase in the fair value of EUR 5.6 million or an increase in the underlying EBITDA/EBIT of the valuation item of 10 percent to an increase in the fair value of around EUR 12.2 million.

On December 10, 2019, NOVOMATIC AG concluded an agreement with the SAZKA Group on the sale of its 17.19 percent stake in CASAG, subject to certain conditions precedent, including obtaining official approval and the applicable rights of other CASAG shareholders. The transaction price from this agreement was used to measure the market value of Casinos Austria AG.

This remeasurement of both financial investments was recorded in equity, resulting in a revaluation of around EUR -52.5 million which had no impact on income in the current 2019 fiscal year.

Securities relate to listed equity instruments (e.g. shares) or debt instruments (e.g. bonds). For the valuation, the bid prices quoted on an active market are used.

The Group has designated the aforementioned equity instruments – other investments, financial investments and securities – at fair value through equity in other comprehensive income. These equity instruments relate to financial investments that the Group intends to hold for strategic purposes.

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 interest curves on the balance sheet date (or the most recently applicable interest curve before the balance sheet date (December 31, 2019))). 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 of derivatives corresponds to the value that the individual company would receive or have to pay if the contract was settled as of the balance sheet date. Changes in fair value are recorded in profit and loss.

To hedge financial risks, the NOVOMATIC Group entered into the following derivative contracts:

| EUR m  | Nominal amount | 12/31/2019     |              | 12/31/2018     |              |
|--|----------------|----------------|--------------|----------------|--------------|
|  |                | Nominal amount | Market value | Nominal amount | Market value |
| USD forward contract – positive market value | 0.0            | 0.0            | 10.2         | 0.4            |              |
| USD forward contract – negative market value | 0.0            | 0.0            | 10.3         | -0.1           |              |
| Interest rate swap                           | 77.5           | -0.3           | 77.5         | -0.6           |              |
| <b>Total</b>                                 | <b>77.5</b>    | <b>-0.3</b>    | <b>98.1</b>  | <b>-0.4</b>    |              |

The change in fair value is recognized in the income statement for USD forward contracts and interest rate swaps.

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 financial performance indicators (e.g. revenue or EBITDA goals) are reached within a certain period 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 0.0 million (previous year: EUR 3.0 million) under the other non-current liabilities (purchase price obligations) and with EUR 0.0 million (previous year: EUR 1.7 million) under other current liabilities (purchase price obligations).

#### 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 book values as well as the corresponding fair values:

| EUR m                        | Carrying amount | 12/31/2019      |            | 12/31/2018      |            | Hierarchy |
|------------------------------|-----------------|-----------------|------------|-----------------|------------|-----------|
|                              |                 | Carrying amount | Fair value | Carrying amount | Fair value |           |
| <b>Financial liabilities</b> |                 |                 |            |                 |            |           |
| Bonds                        | 695.7           | 714.5           | 940.5      | 957.9           | Level 1    |           |
| Bank liabilities             | 829.9           | 834.2           | 905.8      | 908.9           | Level 2    |           |

For the fair value of the bonds, the stock market price on the valuation date or the last valid market price before the balance sheet date (December 31, 2019) was used. The market value of bank obligations is determined by discounting future fixed cash flows related to these obligations at the market interest rate on the balance sheet date.

For cash, trade receivables, trade payables, other current receivables and other current liabilities, the fair value roughly corresponds to the carrying amount 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 amount are assumed. The default risk is taken into consideration through the application of valuation allowances.

### Net Result by Category

| 12/31/2019   |            | Subsequent measurement               |  |                 |            |
|--|------------|--------------------------------------|--|-----------------|------------|
| EUR m  | Allowances | At fair value through profit or loss | At fair value through other comprehensive income | Disposal result | Net result |
| Financial assets measured at amortized cost                                | -4.0       |                                      |  |                 | -4.0       |
| Financial assets measured at fair value through profit or loss             |            | -0.1                                 |  |                 | -0.1       |
| Financial assets measured at fair value through other comprehensive income |            |                                      | -51.7  | 0.0             | -51.7      |
| Financial liabilities measured at fair value through profit or loss        |            | 0.1                                  |  |                 | 0.1        |
| 12/31/2018   |            | Subsequent measurement               |  |                 |            |
| EUR m  | Allowances | At fair value through profit or loss | At fair value through other comprehensive income | Disposal result | Net result |
| Financial assets measured at amortized cost                                | -17.5      |                                      |  |                 | -17.5      |
| Financial assets measured at fair value through profit or loss             |            | -4.9                                 |  |                 | -4.9       |
| Financial assets measured at fair value through other comprehensive income |            |                                      | 44.6   | 0.3             | 44.9       |
| Financial liabilities measured at fair value through profit or loss        |            | 4.5                                  |  |                 | 4.5        |

### Capital Risk Management

The purpose of capital risk management is the active control of the capital structure of the entire NOVOMATIC Group as well as the individual Group companies. It ensures the maintenance of an appropriate equity ratio in order to reduce debt costs and the safeguarding of sustained profitability so that all Group companies and the entire NOVOMATIC Group are able to operate under the going concern principle.

The development of the capital structure is supervised by means of the equity ratio and the ratio of net indebtedness to EBITDA. These ratios are regularly quantified and reported on a biannual basis at least to the Executive Board, which uses those ratios, in addition to other key figures, to guide further corporate development.

The equity ratio is calculated as the ratio of equity to balance sheet total. Equity consists of the issued capital, capital reserves, retained earnings, as well as the revaluation reserve plus currency translation adjustments and non-controlling interests.

Net debt is calculated as the sum of current and non-current financial liabilities, as well as lease liabilities, less cash and cash equivalents, and precious metals. The debt ratio is calculated accordingly as the ratio of net debt to earnings before interest, taxes, depreciation and amortization (EBITDA).

Due to its contractually agreed financial covenants, the NOVOMATIC Group is required in its major financing agreements to maintain an equity ratio of at least 15.0 percent and net debt in relation to the EBITDA of not more than 4.625x. Following the entry into force of IFRS 16 Leases as of January 1, 2019, the financial covenants in all major financing agreements had already been contractually adjusted in the 2018 fiscal year in coordination with the relevant contractual partners as of January 1, 2019.

The equity ratio and the ratio of net indebtedness to EBITDA as per December 31, 2019, and as per December 31, 2018, are calculated as follows, although most of the changes result from the impact of applying IFRS 16 Leases:

|   | 2019   | 2018   |
|---|--------|--------|
| Equity ratio (equity/balance sheet total) | 32.2 % | 33.1 % |
| Net debt to EBITDA (net debt/EBITDA)      | 2.4    | 2.3    |

In October 2015, NOVOMATIC AG received a rating for the first time from the ratings agency Standard & Poor's (S&P) and consistently held an investment grade rating until June 2019. On June 13, 2019 (last rating change), S&P downgraded NOVOMATIC AG's rating by one notch from BBB- with stable outlook to BB+ with stable outlook. The reasons given for S&P to change the rating included the significant challenges in key markets such as Germany (including the amendment to the German Gaming Ordinance as of November 11, 2018), Italy (including various gaming-related tax increases effective from January 1, 2019) and Australia (including the lower-than-expected earnings reported by the Ainsworth Game Technology Ltd. Group, in which a majority stake was acquired in January 2018, and the resulting high level of depreciation and amortization), which according to S&P could lead to a reduction in the EBITDA margin in the future and, by extension, a lower free operating cash flow.

## Financial Risk Management

The NOVOMATIC Group controls, monitors and limits the financial risks associated with the business segments in which it is active. Control of financial risks is supported by a treasury management system that is established in the industrial and bank sector. The financial risks relevant to the Group are monitored on a regular basis and, if necessary, collateralized via suitable measures and instruments (e.g. derivative financial instruments such as interest rate swaps and forward currency contracts) to reduce the risk resulting from the underlying transaction.

The identification, analysis and assessment of financial risks as well as the analysis and selection of potential hedging instruments to be used are tasks that are generally performed by the Group Treasury. The Executive Board has the final say on which (if any) derivative financial instruments are selected and used. Any use of derivative financial instruments at the Group company level is coordinated in advance with Group Treasury in accordance with the Group policy and must be approved in advance by the Executive Board.

## Liquidity Risk

Liquidity or financing risk is the risk associated with remaining solvent at any given moment and/or having the ability to obtain the necessary funds from investors at arm's length so as to fulfill any due obligations on time and to provide intercompany financing and guarantees for internal Group purposes. Furthermore, the need for cash in the gaming industry is high, especially in terms of cash in the company's own gaming arcades. Therefore, part of the indicated cash comprises base filling of the slot machines and cash reserves in the gaming arcades.

A short-term and a long-term continuous liquidity plan is compiled based on the results of the Group's strategy and planning processes in order to provide an up-to-date impression of the expected development of liquidity at the Group level. Medium-term and long-term liquidity and financing needs of the NOVOMATIC Group are determined based on projected cash flows.

Thanks to the NOVOMATIC Group's conservative financing and debt policy, as well as the conservative investment policy, the NOVOMATIC Group's liquidity risk throughout the Group is limited. Even so, the NOVOMATIC Group accords high priority to the topic of liquidity risk and its control. In order to guarantee the Group's solvency and financial flexibility at all times, the Group maintains a liquidity reserve in the form of revolving usable credit lines, short-term overdrafts, bank deposits payable on demand, and short-term investments.

A syndicated revolving credit facility in the amount of EUR 1.0 billion with a term of five years (including two one-year extension options) was taken out in March 2017. The second extension option was also exercised in March 2019 and accepted by all financing banks. As a result, the credit line can be utilized until its maturity in March 2024.

Back in 2017, care was taken when selecting banks to ensure that the investor base is geographically diversified and covers all of the NOVOMATIC Group's major core markets. This geographical diversification has not changed significantly in the 2019 fiscal year. EUR 160.0 million of the credit line had been drawn down, i.e. EUR 840.0 million was freely available as of December 31, 2019.

The bond issued in 2013 (AT0000A0XSN7) in the amount of EUR 250.0 million was redeemed at final maturity as agreed in January 2019.

In March 2019, an installment loan of EUR 3.0 million arranged in 2004 was finally repaid.

In October 2019, a tranche of EUR 2.5 million relating to the promissory note loan issued in 2015 was repaid ahead of schedule.

In October 2019, equity financing (with a federal guarantee from Österreichische Kontrollbank AG) for EUR 20.0 million arranged in 2012 with an outstanding loan amount of EUR 6.0 million was also repaid ahead of schedule due to the sale of the Group companies in the United Kingdom associated with this financing.

The following table shows all payments for redemptions and interest from financial liabilities including derivative financial instruments that had been contractually fixed as of the consolidated balance sheet date. Derivative instruments are shown at their market value, whereas the other liabilities are shown in the amount of the non-discounted cash flows for the following financial years:

| EUR m                      | Year under review |           | Reference year |           |
|----------------------------|-------------------|-----------|----------------|-----------|
|                            | 2020              | 2021–2024 | 2019           | 2020–2023 |
| Bonds                      | 14.1              | 725.1     | 260.9          | 739.2     |
| Bank loans                 | 322.1             | 430.2     | 45.0           | 733.7     |
| Lease liabilities          | 135.6             | 344.2     | 1.0            | 1.9       |
| Trade payables             | 86.4              | 0.0       | 100.5          | 0.0       |
| Loans                      | 1.3               | 1.4       | 2.8            | 1.6       |
| Derivatives                | 0.3               | 0.0       | 0.8            | 0.0       |
| Purchase price obligations | 47.4              | 0.0       | 43.8           | 9.5       |
| Other liabilities          | 35.6              | 14.7      | 47.2           | 16.7      |

## Counterparty Risk

Counterparty risk constitutes the risk of delay or default in payment by any contractual partners. In the NOVOMATIC Group's financing activities, credit relationships with banks and insurance companies that can boast appropriately high ratings (at least an investment grade rating from S&P, Moodys or Fitch) predominate.

To screen the default risk for financial investments (i.e. bank balances, money market investments, capital market investments, securities) and for derivative financial instruments (i.e. positive market value of derivatives), the NOVOMATIC Group works to ensure that funds are evenly distributed and any non-diversification risks avoided.

Apart from financing, the NOVOMATIC Group is also exposed to counterparty credit risk in the area of sales, since customers might not fulfill their payment obligations in full or when they are due. The default risk is in some cases reduced even further via additionally demanded collateral such as e.g. received deposits or documentary letters of credit for exports. This applies in particular to new customers. Additionally, contractually secured reservations of title, advance payment in part or in full, direct debiting and requiring shorter payment terms, attempt to further minimize the risk to which the NOVOMATIC Group is exposed. Thanks to the high number of external customers, there is currently no material concentration of default risk.

The maximum risk in cases of default on receivables from customers to third parties and loans to business partners is limited to their carrying amount. For other financial assets (cash and cash equivalents, investments, other financial instruments with the exception of derivatives), the maximum credit risk in the event of counterparty default is likewise the carrying amount of these financial instruments. For derivative financial instruments, the maximum credit risk in cases of default is equivalent to the positive fair value of the derivative as of the valuation date.

## Market Risk

### a) Interest Rate Risk

In the context of its financing and investment activities, the NOVOMATIC Group is exposed to risk related to changes in interest rates. Interest rate fluctuations can have a positive or negative effect on the value of financial instruments (present value risk) as

well as on the resulting cash flows (cash flow risk). For risk reasons, attention is paid to a balanced fixed interest rate balance sheet or a balanced mix of variable and fixed interest rates with short and long-term interest rates in order to avoid non-diversification risks.

In order to limit interest rate risks, current interest rate developments are monitored on an ongoing basis and, if necessary, interest rate risks are hedged with suitable measures, including derivative instruments such as interest rate swaps, interest rate options, etc. Given the high level of fixed-interest financial liabilities held by the NOVOMATIC Group (2019 average around 67 percent; 2018 average around 63 percent) and given the current and foreseeable future development of interest rates, the risk posed to cash flow by rising interest rates is limited.

In the past, attention was paid primarily to the risk and hedging of rising lending rates. Maintaining a balanced relationship between variable-interest financial liabilities and financial assets has, in the past, served as a largely natural hedge of the interest rate risk for variable-interest financial instruments.

The ongoing decline in lending rates since 2007 and particularly since money and capital market interest rates turned negative for the first time in 2015 (and banks increasingly agreed an interest rate floor of EUR 0.0 percent with their customers), the natural hedge between variable-rate financial liabilities in EUR and financial investments in EUR has become progressively less effective.

The further reduction of the ECB's interest rate for the deposit facility from -0.4 percent to -0.5 percent p.a. in September 2019 means that virtually every major bank of the NOVOMATIC Group has now passed on these "negative interest rates" to customers in the form of a deposit custody fee on sight deposits in EUR. The banks sometimes only pass on these negative interest rates to customers once an agreed threshold value has been exceeded, yet in other cases do so from the first euro.

The current interest rate landscape now requires even more work to manage interest rate risk, in particular to manage the liquidity reserve required from a risk perspective. Group Treasury attempts to manage the liquidity reserve available at short notice (financial assets and financial liabilities) in such a way that solvency can be guaranteed at all times, thereby hedging the liquidity risk on the one hand and the interest rate risk for variable-rate financial assets in particular on the other. Efforts are also made to minimize the interest costs arising from the utilization of credit lines and the deposit custody fees payable for the liquidity reserve held.

The combination of interest rate floors on variable-rate euro-denominated financial liabilities and deposit custody fees on variable-rate euro-denominated financial assets now represents a one-sided risk for the NOVOMATIC Group (in contrast, a reduction in interest rates was perceived both as a risk (for financial assets) and an opportunity (for financial liabilities) in the past).

The basis for the use of derivative hedging instruments is a Group-wide guideline defined by the Executive Board. Derivative financial instruments are only used to hedge against financial risks arising from an existing or highly probable future underlying transaction (e.g. a variable rate loan) and are not taken out for speculative purposes or to generate a business contribution.

The following schedule shows the impact of potential interest rate changes (+/- 50.0 basis points or + 50.0/- 25.0 basis points) on earnings before taxes and on equity based on reasonable judgment. The interest rate sensitivity analysis includes the effects of variable-interest bank liabilities and bank deposits, as well as the derivatives contracts as per the reporting date. The calculation simulated an interest rate increase of 50.0 basis points for variable rate bank liabilities, variable interest bank deposits and payments from derivatives. Furthermore, when calculating the effects of a potential interest rate reduction of 50.0 basis points, only the effects on bank balances with variable interest rates were simulated. Only a potential interest rate reduction of 25.0 basis points was simulated for the variable-rate financial liabilities, as approximately half of the variable-rate bank liabilities as of December 31, 2019 have a contractual lower interest rate limit of 0.0 percent ("floor") and are therefore not affected by a further reduction in the interest rate level. Payments from current interest rate derivatives as at the reporting date are also not affected by any interest rate reduction.

| EUR m                           | 2019                |                            | 2018                |                            |
|---------------------------------|---------------------|----------------------------|---------------------|----------------------------|
|                                 | +50<br>basis points | -25 to -50<br>basis points | +50<br>basis points | -25 to -50<br>basis points |
| Change (in basis points)        |                     |                            |                     |                            |
| Change in earnings before taxes | -1.1                | -0.6                       | -1.4                | -0.4                       |
| Change in equity                | -0.8                | -0.4                       | -1.0                | -0.3                       |

The average weighted interest rate for funds borrowed by the NOVOMATIC Group (across all currencies) was 1.891 percent p.a. in the 2019 fiscal year (2018: 1.827 percent p.a.). The average weighted interest rate for variable-rate financing was 0.929 percent p.a. in 2019 (2018: 0.968 percent p.a.) and the average 3M EURIBOR (market interest rate) for 2019 was -0.391 percent p.a. (2018: -0.322 percent p.a.). The average weighted interest rate for fixed-rate financing was 2.365 percent p.a. in 2019 (2018: 2.320 percent p.a.).

The development of EUR money and capital market interest rates (annual average) over the past five years has remained "negative" (e.g. 3M EURIBOR from -0.020 percent (2015) to -0.357 percent (2019) and 5Y swap rate from 0.338 percent (2015) to -0.140 percent (2019)). The development of the ECB interest rate on the deposit facility has been consistently negative since June 2007 (e.g. from -0.1 percent (2014) to -0.5 percent (2019)). According to current market opinion, a further reduction in interest rates of 0.5 percent within the next fiscal year 2020 is deemed rather unrealistic, especially since the ECB interest rate for the deposit facility was reduced in the past from 0.0 percent to -0.5 percent within a period of approximately five years.

#### b) Foreign Exchange Risk

The risk resulting from fluctuations in the value of financial instruments, other balance sheet positions (e.g. receivables and liabilities), and/or cash flows denominated in foreign currencies due to exchange rate fluctuations, is called currency risk or exchange risk. This risk exists in particular where business transactions, such as the purchase of materials, merchandise or purchase price payments for company acquisitions, are in a currency other than the accounting currency (foreign currency) of a company and where prices for products and services depend on a currency other than the invoicing currency (indirect currency risk). For example, materials and merchandise are invoiced by suppliers in EUR or USD, although pricing is indirectly dependent on a third currency or another price (e.g. commodity price).

In order to limit foreign currency risks, the related foreign currency risk is calculated regularly on a rolling basis for business transactions made in foreign currencies or where the transaction price depends on foreign currencies. This involves determining a net position from holdings of the relevant foreign currency at the start of the planning period, planned incoming and outgoing payments in the relevant foreign currency, and existing derivative hedging instruments for the relevant foreign currency in the planning period. A relevant foreign currency risk that exceeds the thresholds defined in the Group guidelines is hedged by means of appropriate hedging transactions in order to reduce the risk from exchange rate fluctuations in future reporting periods. An initial hedge for currency risk is provided through foreign currency items that are naturally self-contained (natural hedge), for instance, the payments received from deliveries and services in USD are balanced by payments made for deliveries and services in USD. The remaining net foreign currency exposure that exceeds the defined threshold is generally hedged using symmetrical hedging instruments (e.g. forward currency contracts). Asymmetrical hedging instruments (e.g. currency options) would only be used in exceptional cases or if required by the underlying transaction.

In the 2019 reporting period, USD forward foreign exchange contracts with a net value of USD 45.0 million were due for the operating business. As of the reporting date, subsequent periods have USD forward currency contracts of USD 0.0 million, as no new forward contracts were re-contracted in the reporting period.

In the 2019 reporting period, the NOVOMATIC Group did not take out any further derivative hedging instruments to reduce its foreign currency risk.

The relevant foreign currencies in the NOVOMATIC Group as at the reporting date include the USD and GBP. Exchange rate fluctuations of these two foreign currencies have a potential effect on the income statement and equity.

Within the framework of the analysis to measure the sensitivity towards exchange rate movements, the impacts of a change in



the exchange rate of +/-10 percent on foreign currency ("FX") bank balances (i.e. USD, GBP), loans received or given in FX as at the reporting date and on market values are simulated.

The following schedule, which is based on reasonable judgment, shows the effects of possible EUR/USD exchange rate movements by +/-10 percent on earnings before taxes and on equity:

| EUR m  | 2019                     |                          |                          |                          | 2018 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|------|
| Exchange rate fluctuation, foreign currency to EUR | Appreciation USD by 10 % | Depreciation USD by 10 % | Appreciation USD by 10 % | Depreciation USD by 10 % |      |
| Change in earnings before taxes                    | 2.6                      | -2.1                     | -2.8                     |                          | 2.3  |
| Change in equity                                   | 2.0                      | -1.6                     | -2.1                     |                          | 1.7  |

The following schedule, which is based on reasonable judgment, shows the effects of possible EUR/GBP exchange rate movements by +/-10 percent on earnings before taxes and on equity:

| EUR m  | 2019                     |                          |                          |                          | 2018 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|------|
| Exchange rate fluctuation, foreign currency to EUR | Appreciation GBP by 10 % | Depreciation GBP by 10 % | Appreciation GBP by 10 % | Depreciation GBP by 10 % |      |
| Change in earnings before taxes                    | 3.1                      | -2.5                     | 0.9                      |                          | -0.8 |
| Change in equity                                   | 2.3                      | -1.9                     | 0.7                      |                          | -0.6 |

In the reporting period, average financial liabilities in the NOVOMATIC Group were mainly denominated in EUR (around 94 percent) as well as in part in another currency such as USD (around six percent). Group companies with an accounting currency other than their financing currency were hence exposed to foreign exchange risk in terms of the financing currency (mainly EUR).

### c) Capital Investments

Risks in capital investments essentially cover market price and valuation risks. The capital investments held by the NOVOMATIC Group are comprised mainly of precious metals as well as exchange-traded shares and were hence exposed to price fluctuations during the fiscal year.

## (12) Notes on Leases and Contingent Liabilities

### NOVOMATIC Group as Lessee

The Group has evaluated and accounted for existing leases (primarily from rented gaming facilities) in accordance with IFRS 16. For detailed information on the first-time application of IFRS 16 Leases from the 2019 fiscal year, please refer to note (4) Accounting and Valuation Methods.

The right-of-use assets and lease liabilities were reported separately in the balance sheet. The maturity analysis of the reported non-current lease liabilities of EUR 567.9 million and current lease liabilities of EUR 121.1 million is as follows:

| EUR m   | Non-discounted<br>lease payments<br>12/31/2019 |
|---|--|
| within one year                                   | 137.3  |
| Between two and five years                        | 351.1  |
| Between six and ten years                         | 211.6  |
| After ten years                                   | 70.2   |
| <b>Total</b>                                      | <b>770.3</b>                                   |
| Less financial expenses not yet realized          | -81.2  |
| <b>Present value of lease payments to be made</b> | <b>689.0</b>                                   |

The reported rental expenses for real estate, gaming machines, and other assets for the 2019 fiscal year include expenses from short-term leases of EUR 7.9 million, from leases with low-value assets of EUR 1.7 million, and from variable lease payments not included in the measurement of the lease liability of EUR 4.7 million.

In contrast, rental expenses for the reference year 2018 were accounted for in accordance with IAS 17 and are therefore only comparable to a limited extent.

Total cash outflows from leases amounted to EUR -147.6 million in the current reporting period.

**NOVOMATIC Group as Lessor**

The Group has concluded finance lease agreements with customers for gaming machines. The term of the concluded finance lease agreements is between 1 and 5 years. When the agreement is concluded, the revenue is recorded under the item "Sales revenue". Outstanding lease payments are shown in the balance sheet as receivables, with the maturity analysis being as follows:

| EUR m   | Non-discounted lease payments |             |
|---|-------------------------------|-------------|
|   | 12/31/2019                    | 12/31/2018  |
| within one year                                       | 20.2                          | 12.4        |
| within the second year                                | 10.3                          | 14.0        |
| within the third year                                 | 2.2                           | 2.7         |
| within the fourth year                                | 1.4                           | 1.7         |
| within the fifth year                                 | 0.4                           | 0.5         |
| after five years                                      | 0.0                           | 0.0         |
| <b>Total</b>  | <b>34.6</b>                   | <b>31.3</b> |
| Less financial income not yet realized                | -3.5                          | -3.9        |
| <b>Present value of lease payments to be received</b> | <b>31.0</b>                   | <b>27.4</b> |

The Group also concluded operating lease contracts for the rental of gaming machines with mainly non-cancellable terms of between 12 and 24 months. The gaming machines continue to be shown under property, plant and equipment as plant and machinery. The rent payments during the reporting period are shown as sales revenue under income from rent and management services.

The claims for future lease payments from these operating leases are as follows:

| EUR m                  | Non-discounted lease payments |            |
|------------------------|-------------------------------|------------|
|                        | 12/31/2019                    | 12/31/2018 |
| within one year        | 247.9                         | 247.9      |
| within the second year | 81.2                          |            |
| within the third year  | 8.0                           |            |
| within the fourth year | 7.5                           | 253.8      |
| within the fifth year  | 7.4                           |            |
| after five years       | 3.9                           | 1.5        |

In Germany, converting gaming equipment to the new Technical Guideline 5.0 (valid from November 11, 2018) has resulted in new underlying rental agreements with a normal term of 24 months. This is reflected in the comparative figures for 2018.

**Contingent Liabilities**

Contingent liabilities from sureties and guarantees amount to EUR 17.0 million (previous year: EUR 14.0 million) and were issued vis-à-vis the Italian regulator ADM.

## (13) Other Disclosures

### Group Audit Expenses

The expenses for services provided by the Group auditor (including the network in accordance with Sec. 271b of the Austrian Company Code) are as follows:

| EUR m   | 2019 | 2018 |
|---|------|------|
| Group audit and audit of financial statements | 2.7  | 3.1  |
| Audit-related services                        | 0.0  | 0.2  |
| Tax advisory services                         | 0.6  | 1.0  |
| Other consulting services                     | 0.4  | 0.4  |

Expenses for services provided by Deloitte Audit Wirtschaftsprüfungs GmbH in 2019 amounted to EUR 0.9 million for the Group audit and audit of financial statements and EUR 0.4 million for other advisory services.

### Related Party Transactions

The parent company of NOVOMATIC AG is Novo Invest GmbH in Gumpoldskirchen. This consolidated financial statement of the NOVOMATIC AG is therefore included in the consolidated financial statements of Novo Invest GmbH being the ultimate parent company and is filed at the Regional Court of Wiener Neustadt under FN 381832v.

The related parties furthermore include the members of the bodies (Executive Board and Supervisory Board), non-consolidated affiliated subsidiaries, associated companies, as well as companies under the control of bodies or the shareholders of NOVOMATIC AG.

The following table summarizes the scope of business relationships with related parties for the individual financial years:

| EUR m                    | Other      |            | Management |            |
|--------------------------|------------|------------|------------|------------|
|                          | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 |
| Receivables              | 10.3       | 20.5       | 0.0        | 0.4        |
| Liabilities              | 5.3        | 10.5       | 0.4        | 0.1        |
| Revenues                 | 33.9       | 21.9       | 0.1        | 0.1        |
| Cost of material         | 31.9       | 64.2       | 0.0        | 0.0        |
| Consulting services      | 0.0        | 0.0        | 0.4        | 0.6        |
| Research and development | 6.2        | 0.0        | 0.0        | 0.0        |
| Other expenses           | 9.7        | 3.9        | 0.2        | 0.0        |
| Interest income          | 0.1        | 0.1        | 0.0        | 0.0        |

The item "Management" comprises the Supervisory Board and the Executive Board of NOVOMATIC AG. The management's remuneration is disclosed in note (5) "Company Bodies of NOVOMATIC AG".

The information provided for "Other" essentially relates to companies that are controlled by the shareholders of NOVOMATIC AG. The transactions result from the delivery of goods and services, rental fees, and research and development services. Accounts receivable are unsecured and settled in cash. Guarantees were neither given nor received.

In addition, the majority stakes in the Croatian companies and the two Spanish casino companies were sold to a related party. The purchase price agreed in each case was set by means of externally prepared appraisals and has already been paid in full.

## Fully Consolidated Subsidiaries

| IC code | Company, domicile  | Superordinate company | Group share       | Direct share      |
|---------|--|-----------------------|-------------------|-------------------|
| ACEAT   | ADMIRAL Casinos & Entertainment AG, Austria                              | NAG                   | 100.00 %          | 100.00 %          |
| ADCLES  | Admiral Gaming Castilla y Leon S.L., Spain                               | ADGMES                | 100.00 %          | 100.00 %          |
| ADGAES  | Admiral Gaming Andalucia S.A., Spain                                     | NOGES                 | 100.00 %          | 100.00 %          |
| ADGMES  | Admiral Operations Spain S.L., Spain                                     | NOGES                 | 100.00 %          | 100.00 %          |
| ADLERO  | Admiral Leisure SRL, Romania   | NOVORO / NMIIAT       | 99.00 % / 1.00 %  | 99.00 % / 1.00 %  |
| ADMICS  | Admira d.o.o., Serbia  | NOVOCS                | 100.00 %          | 100.00 %          |
| ADMILV  | Admiralu Klubs SIA, Latvia   | NAG                   | 60.00 %           | 60.00 %           |
| ADOSES  | Admiral Gaming Madrid S.L., Spain  | SAMAES / ADGMES       | 45.00 % / 40.00 % | 60.00 % / 40.00 % |
| ADRIAL  | Adriatik Game Sh.a., Albania   | EAGAL                 | 100.00 %          | 100.00 %          |
| ADRIT   | NOVOMATIC Italia S.p.A., Italy   | NAG                   | 100.00 %          | 100.00 %          |
| ADSLES  | Admiral Slots S.A., Spain  | NOGES                 | 100.00 %          | 100.00 %          |
| AGIAR   | NOVOMATIC Argentina S.R.L., Argentina                                    | NAG / HTM             | 97.23 % / 2.77 %  | 97.23 % / 2.77 %  |
| AGIHU   | NOVOMATIC Hungaria Kft., Hungary   | NAG                   | 100.00 %          | 100.00 %          |
| AGIMX   | Crown Gaming Services Mexico S. de R.L. de C.V., Mexico                  | NAG / NMIIAT          | 80.00 % / 20.00 % | 80.00 % / 20.00 % |
| AGISA   | NOVOMATIC Africa (Pty) Ltd., South Africa                                | NAG                   | 100.00 %          | 100.00 %          |
| AGTAU   | Ainsworth Game Technology Ltd., Australia                                | NAG                   | 52.90 %           | 52.90 %           |
| AIIT    | Admiral Interactive S.r.l., Italy  | ADRIT                 | 100.00 %          | 100.00 %          |
| AINSFR  | Novomatic Services FRA SAS, France                                       | NAG                   | 100.00 %          | 100.00 %          |
| AINSUK  | Ainsworth (UK) Ltd., United Kingdom                                      | ASTUK                 | 100.00 %          | 100.00 %          |
| AIRO    | Airoline GmbH, Austria   | NAG                   | 100.00 %          | 100.00 %          |
| ALEARO  | Alea Leisure SRL, Romania  | NOVORO / NMIIAT       | 99.00 % / 1.00 %  | 99.00 % / 1.00 %  |
| ALFLV   | Alfor SIA, Latvia  | NAG                   | 60.00 %           | 60.00 %           |
| ALLIT   | Allstar S.r.l., Italy  | ADRIT                 | 100.00 %          | 100.00 %          |
| ALLOAT  | Albanisch Österreichische Lotterien Holding Gesellschaft m.b.H., Austria | NAG                   | 100.00 %          | 100.00 %          |
| ALORES  | Aloragaming S.L., Spain  | BAGAES                | 51.00 %           | 100.00 %          |
| ALPDE   | Admiral Play GmbH, Germany   | NSMLDE                | 100.00 %          | 100.00 %          |
| ALPSIT  | Alp S.r.l., Italy  | ADRIT                 | 70.00 %           | 70.00 %           |
| ALSGRU  | Octavian Game Art OOO, Russia  | NAG / ALSGRU          | 99.90 % / 0.10 %  | 99.90 % / 0.10 %  |
| AMONBA  | AMONIQ d.o.o. Zenica, Bosnia and Herzegovina                             | HTLBA                 | 100.00 %          | 100.00 %          |
| ARGAR   | Octavian de Argentina S.A., Argentina                                    | NAG / HTM             | 90.00 % / 10.00 % | 90.00 % / 10.00 % |
| ASCGUK  | Luxury Leisure Holdings Ltd., United Kingdom                             | ASTUK                 | 100.00 %          | 100.00 %          |
| ASGOUK  | S.A.L. Leisure Holdings Ltd., United Kingdom                             | ASTUK                 | 100.00 %          | 100.00 %          |
| ASTRAL  | Astra Albania Sh.a., Albania   | EAGAL                 | 100.00 %          | 100.00 %          |
| ASTUK   | NOVOMATIC UK Ltd., United Kingdom  | NAG                   | 100.00 %          | 100.00 %          |
| ASW     | Admiral Sportwetten GmbH, Austria  | NAG                   | 100.00 %          | 100.00 %          |
| ASWDE   | ADMIRAL Sportwetten GmbH, Germany  | NSMLDE                | 100.00 %          | 100.00 %          |
| ATSIPL  | NOVOMATIC Technologies Poland S.A., Poland                               | ATTPL / NAG           | 51.22 % / 48.78 % | 51.22 % / 48.78 % |
| ATTPL   | ATT S.A., Poland   | NAG                   | 100.00 %          | 100.00 %          |
| AUSPDE  | Automaten Service Playtime GmbH, Germany                                 | EXTDE                 | 100.00 %          | 100.00 %          |
| AUSUES  | Automáticos Surmatic S.L., Spain   | ADGMES                | 60.00 %           | 60.00 %           |
| AWPDNL  | Eurocoin Interactive B.V., Netherlands                                   | JVHPNL                | 100.00 %          | 100.00 %          |
| AZARLT  | Azarto Technika UAB, Lithuania   | NAG                   | 80.00 %           | 80.00 %           |
| BAGAES  | Basque Gaming S.L., Spain  | ADGMES                | 51.00 %           | 51.00 %           |
| BEAMT   | Beatya Online Entertainment p.l.c., Malta                                | GTA                   | 100.00 %          | 100.00 %          |

| IC code | Company, domicile  | Superordinate company | Group share      | Direct share     |
|---------|--|-----------------------|------------------|------------------|
| BEKUDE  | BeKu Automaten & Gastronomie Service GmbH, Germany                   | EXTDE                 | 100.00 %         | 100.00 %         |
| BEMARO  | Bet Master SRL, Romania  | NOVORO / NMIIAT       | 99.89 % / 0.11 % | 99.89 % / 0.11 % |
| BIERNL  | Biermann's Bingo B.V., Netherlands                                   | CAHONL                | 100.00 %         | 100.00 %         |
| BINGIT  | Bingoland S.r.l., Italy  | ADRIT                 | 51.00 %          | 51.00 %          |
| BLUECA  | Bluebat Games Inc., Canada   | GTCACA                | 70.00 %          | 100.00 %         |
| BPAFDE  | BPA Freizeit- & Unterhaltungsbetriebe GmbH, Germany                  | EXTDE                 | 100.00 %         | 100.00 %         |
| BRONDE  | BRONCO Automaten Immobilien und Gaststätten GmbH, Germany            | ALPDE                 | 100.00 %         | 100.00 %         |
| CAAPNL  | Casino Admiral Appelscha B.V., Netherlands                           | CAHONL                | 100.00 %         | 100.00 %         |
| CAH3NL  | Casino Admiral Holland III B.V., the Netherlands                     | CAHONL                | 100.00 %         | 100.00 %         |
| CAHONL  | Casino Admiral Holland B.V., Netherlands                             | JVHPNL                | 100.00 %         | 100.00 %         |
| CAMADE  | Casino Macau GmbH, Germany   | WGVEDE                | 100.00 %         | 100.00 %         |
| CANONL  | Casino Admiral Noordwijk B.V., the Netherlands                       | CAHONL                | 100.00 %         | 100.00 %         |
| CAPEIT  | Capecod Gaming S.r.l., Italy   | ADRIT                 | 80.00 %          | 80.00 %          |
| CARODE  | Casino Royal GmbH, Germany   | NAG                   | 100.00 %         | 100.00 %         |
| CAS1DE  | Casino Deluxe Beteiligungsgesellschaft mbH I, Germany                | BPAFDE                | 100.00 %         | 100.00 %         |
| CAS3DE  | Casino Deluxe Beteiligungsgesellschaft mbH III, Germany              | BPAFDE                | 100.00 %         | 100.00 %         |
| CASINL  | Casino Sevens Simpelveld B.V., the Netherlands                       | SUGANL                | 100.00 %         | 100.00 %         |
| CASKDE  | Casino Entertainment GmbH & Co. KG, Germany                          | EXTDE                 | 100.00 %         | 100.00 %         |
| CASTNL  | Casino Admiral Staff B.V., the Netherlands                           | CAHONL                | 100.00 %         | 100.00 %         |
| CAZENL  | Casino Admiral Zeeland B.V., Netherlands                             | JVHPNL                | 100.00 %         | 100.00 %         |
| CITYDE  | City Freizeitanlagen GmbH, Germany                                   | EXTDE                 | 100.00 %         | 100.00 %         |
| COMEBA  | AK COMET d.o.o. Zivinice, Bosnia and Herzegovina                     | HTLBA                 | 100.00 %         | 100.00 %         |
| COMEEES | Comercial Txartel S.L., Spain  | BAGAES                | 40.80 %          | 80.00 %          |
| COSPDE  | Conrad Spielautomaten Gesellschaft mit beschränkter Haftung, Germany | EXTDE                 | 100.00 %         | 100.00 %         |
| CROMX   | Crown Gaming Mexico S.A. de C.V., Mexico                             | NAG / NMIIAT          | 99.99 % / 0.01 % | 99.99 % / 0.01 % |
| CROPE   | Crown Gaming S.A.C, Peru   | NOVOPE                | 100.00 %         | 100.00 %         |
| DOMIDE  | Domino-Automaten-Betriebs-GmbH, Germany                              | EXTDE                 | 100.00 %         | 100.00 %         |
| EAGAL   | Eagle Investment Sh.a., Albania                                      | NAG                   | 100.00 %         | 100.00 %         |
| ELSYIT  | Electro System S.p.A., Italy   | ADRIT                 | 100.00 %         | 100.00 %         |
| EMPUK   | Empire Games Ltd., United Kingdom                                    | ASTUK                 | 100.00 %         | 100.00 %         |
| ERGAES  | Erreka Games S.L., Spain   | BAGAES                | 51.00 %          | 100.00 %         |
| ESTRPL  | Estrada Polska Sp. z.o.o., Poland                                    | NAG                   | 100.00 %         | 100.00 %         |
| EUCGNL  | Eurocoin Gaming B.V., Netherlands                                    | JVHPNL                | 100.00 %         | 100.00 %         |
| EXTDE   | ADMIRAL ENTERTAINMENT GmbH, Germany                                  | NSMLDE                | 100.00 %         | 100.00 %         |
| EZEADE  | EZEA GmbH, Germany   | EXTDE                 | 100.00 %         | 100.00 %         |
| FECCIT  | Fec S.p.A., Italy  | ADRIT                 | 100.00 %         | 100.00 %         |
| FMASK   | Greentube Slovakia s.r.o., Slovakia                                  | FST / GTA             | 0.38 % / 99.62 % | 0.38 % / 99.62 % |
| FST     | Funstage GmbH, Austria   | GTA                   | 100.00 %         | 100.00 %         |
| GALUK   | Greentube Alderney Ltd., United Kingdom                              | GTMT                  | 100.00 %         | 100.00 %         |
| GEAUDE  | Gelsenautomaten Verwaltungsgesellschaft mbH, Germany                 | CARODE                | 100.00 %         | 100.00 %         |
| GIGAES  | GiGames S.L., Spain  | NOGES                 | 100.00 %         | 100.00 %         |

| IC code | Company, domicile   | Superordinate company | Group share       | Direct share      |
|---------|---|-----------------------|-------------------|-------------------|
| GMAIT   | Admiral Gaming Network S.r.l., Italy                                    | ADRIT                 | 100.00 %          | 100.00 %          |
| GSM     | Giochi San Marino S.p.A., San Marino                                    | NAG                   | 93.00 %           | 93.00 %           |
| GTA     | Greentube Internet Entertainment Solutions GmbH, Austria                | NAG                   | 100.00 %          | 100.00 %          |
| GTCACA  | Greentube Canada Interactive Entertainment Corp., Canada                | GTA                   | 100.00 %          | 100.00 %          |
| GTGIGI  | Greentube (Gibraltar) Ltd., Gibraltar                                   | GTA                   | 100.00 %          | 100.00 %          |
| GTMT    | Greentube Malta Ltd., Malta   | GTA                   | 100.00 %          | 100.00 %          |
| GTUKUK  | Greentube UK Ltd., United Kingdom                                       | GTA                   | 100.00 %          | 100.00 %          |
| HGVADE  | HGV Automatenaufstell- und Spielhallen GmbH, Germany                    | CARODE                | 100.00 %          | 100.00 %          |
| HISPES  | Recreativos Hispajuegos S.L., Spain                                     | ADGMES / SAMAES       | 24.00 % / 27.07 % | 24.00 % / 36.09 % |
| HOCAPE  | Hotel Carrera S.A.C., Peru  | INKEPE                | 100.00 %          | 100.00 %          |
| HPABDE  | HP Automatenbetriebs GmbH, Germany                                      | EXTDE                 | 100.00 %          | 100.00 %          |
| HTBLBA  | RSA Gaming d.o.o., Bosnia and Herzegovina                               | NOVOBA                | 100.00 %          | 100.00 %          |
| HTLBA   | HTL d.o.o. Sarajevo, Bosnia and Herzegovina                             | NAG                   | 100.00 %          | 100.00 %          |
| HTLME   | HTL Montenegro d.o.o., Montenegro                                       | NAG                   | 100.00 %          | 100.00 %          |
| HTLMK   | HTL Makedonija DOOEL, Macedonia   | NAG                   | 100.00 %          | 100.00 %          |
| HTLUA   | HTL Ukraine TOV, Ukraine  | NAG                   | 100.00 %          | 100.00 %          |
| HTM     | HTM Hotel- und Tourismus Management GmbH, Austria                       | NAG                   | 100.00 %          | 100.00 %          |
| IDEADE  | Ideal Entertainment GmbH, Germany                                       | NWCKDE                | 100.00 %          | 100.00 %          |
| IGROUA  | IgroTech-Import TOV, Ukraine  | AZARLT                | 80.00 %           | 100.00 %          |
| IKGDE   | Novo Immobilien GmbH, Germany   | NAG                   | 100.00 %          | 100.00 %          |
| INKEPE  | Inversiones Kerala S.A.C., Peru   | CROPE                 | 100.00 %          | 100.00 %          |
| INT7ES  | Interseven Gaming Team S.L., Spain                                      | GIGAES / NOGES        | 50.00 % / 50.00 % | 50.00 % / 50.00 % |
| INTRO   | Intertop Leisure SRL, Romania   | NOVORO / NMIIAT       | 99.98 % / 0.02 %  | 99.98 % / 0.02 %  |
| ISPAIT  | Admiral Pay Istituto di Pagamento S.r.l., Italy                         | ADRIT                 | 100.00 %          | 100.00 %          |
| IVGDE   | Novo Immobilien Verwaltungsgesellschaft mbH, Germany                    | IKGDE                 | 100.00 %          | 100.00 %          |
| JANOES  | Juegos Automaticos Nacidos para el Ocio S.L., Spain                     | SAMAES                | 60.00 %           | 80.00 %           |
| JVHENL  | NOVOMATIC Exploitatie NL II B.V., Netherlands                           | JVHPNL                | 100.00 %          | 100.00 %          |
| JVHMNL  | NOVOMATIC Development NL B.V., Netherlands                              | JVHPNL                | 100.00 %          | 100.00 %          |
| JVHPNL  | NOVOMATIC Services NL B.V., Netherlands                                 | NOVONL                | 100.00 %          | 100.00 %          |
| KOENDE  | Königstrasse Spielstätten und Automaten UG (limited liability), Germany | EXTDE                 | 100.00 %          | 100.00 %          |
| KSBKDE  | Kurhessische Spielbank Kassel/Bad Wildungen GmbH & Co. KG, Germany      | SBKDE                 | 100.00 %          | 100.00 %          |
| LOONNL  | NOVOMATIC Exploitatie NL III B.V., Netherlands                          | JVHPNL                | 100.00 %          | 100.00 %          |
| LORZNL  | Recreatieprojecten Zeeland B.V., Netherlands                            | CAZENL                | 100.00 %          | 100.00 %          |
| LOTAAL  | Lotaria Kombetare Sh.p.k., Albania                                      | ALLOAT                | 100.00 %          | 100.00 %          |
| LUXLUK  | Luxury Leisure Uld., United Kingdom                                     | ASCGUK                | 100.00 %          | 100.00 %          |
| LWAUDE  | ADMIRAL Spielhalle Wolfsburg GmbH, Germany                              | EXTDE                 | 100.00 %          | 100.00 %          |
| MAGMK   | MA Gaming DOOEL, Macedonia  | HTLMK                 | 100.00 %          | 100.00 %          |
| MAKOMK  | Makoten DOOEL, Macedonia  | NAG                   | 100.00 %          | 100.00 %          |
| MASTMK  | Masterbet DOOEL, Macedonia  | HTLMK                 | 100.00 %          | 100.00 %          |
| MIBECS  | Millennium Bet d.o.o., Serbia   | NOVOC                 | 100.00 %          | 100.00 %          |
| MILLIT  | Admiral Sport S.r.l., Italy   | ADRIT                 | 100.00 %          | 100.00 %          |
| MNAME   | MNA Gaming d.o.o., Montenegro   | HTLME                 | 100.00 %          | 100.00 %          |



| IC code | Company, domicile   | Superordinate company | Group share      | Direct share     |
|---------|---|-----------------------|------------------|------------------|
| MOISDE  | Moislinger Spielstätten Automaten UG (limited liability), Germany         | EXTDE                 | 100.00 %         | 100.00 %         |
| MUEHDE  | Mühlenstraße Spielstätten und Automaten UG (limited liability), Germany   | EXTDE                 | 100.00 %         | 100.00 %         |
| NAG     | NOVOMATIC AG, Austria   | NIG                   | 89.96 %          | 89.96 %          |
| NAHUS   | NOVOMATIC Americas Holdings Inc., USA                                     | NAG                   | 100.00 %         | 100.00 %         |
| NAINUS  | NOVOMATIC Americas Investments Inc., USA                                  | NAHUS                 | 100.00 %         | 100.00 %         |
| NASUS   | NOVOMATIC Americas Sales LLC, USA   | NAHUS / NAINUS        | 99.00 % / 1.00 % | 99.00 % / 1.00 % |
| NDSKDE  | NOVO Data Solutions GmbH & Co. KG, Germany                                | NSMLDE                | 75.00 %          | 75.00 %          |
| NEE     | Novoloto OÜ, Estonia  | ADMILV                | 60.00 %          | 100.00 %         |
| NEULDE  | Neulin GmbH, Germany  | HGVADE                | 100.00 %         | 100.00 %         |
| NEWTUK  | Brian Newton Leisure Ltd., United Kingdom                                 | LUXLUK                | 100.00 %         | 100.00 %         |
| NGEXNL  | NOVOMATIC Exploitatie NLI B.V., Netherlands                               | JVHPNL                | 100.00 %         | 100.00 %         |
| NGMTAT  | Novo Gaming M Technologies GmbH, Austria                                  | NAG                   | 100.00 %         | 100.00 %         |
| NHCCL   | Novomatic Holdings Chile Ltda., Chile                                     | NICCL                 | 100.00 %         | 100.00 %         |
| NICCL   | Novomatic Investment Chile S.A., Chile                                    | NAG                   | 100.00 %         | 100.00 %         |
| NLAHES  | Novomatic LatAm Holding S.L., Spain                                       | NAG                   | 100.00 %         | 100.00 %         |
| NMIIAT  | NMI Invest GmbH, Austria  | NAG                   | 100.00 %         | 100.00 %         |
| NMN     | NMN Immo GmbH, Austria  | NAG                   | 100.00 %         | 100.00 %         |
| NOGES   | NOVOMATIC Gaming Spain S.A., Spain  | NAG                   | 100.00 %         | 100.00 %         |
| NORERO  | Norebo SRL, Romania   | INTRO                 | 99.98 %          | 100.00 %         |
| NOSES   | NOVOMATIC Services Spain S.L.U., Spain                                    | NOGES                 | 100.00 %         | 100.00 %         |
| NOVAIT  | Novarmatic Group S.r.l., Italy  | ALLIT                 | 100.00 %         | 100.00 %         |
| NOVGUK  | Novomatic Gaming UK Ltd., United Kingdom                                  | ASTUK                 | 100.00 %         | 100.00 %         |
| NOVOBA  | NOVO RS d.o.o., Bosnia and Herzegovina                                    | NAG                   | 100.00 %         | 100.00 %         |
| NOVOBG  | Novo Investment Bulgaria EOOD, Bulgaria                                   | NAG                   | 100.00 %         | 100.00 %         |
| NOVOCL  | Novochile Ltda., Chile  | NAG / NMIIAT          | 99.00 % / 1.00 % | 99.00 % / 1.00 % |
| NOVOC   | Novo Investment d.o.o., Serbia  | NAG                   | 100.00 %         | 100.00 %         |
| NOVOLT  | Novogaming Vilnius UAB, Lithuania   | NAG                   | 80.00 %          | 80.00 %          |
| NOVOMD  | NOVO INVESTMENT MLD S.R.L., Moldova                                       | NGMTAT                | 100.00 %         | 100.00 %         |
| NOVONL  | NOVOMATIC Netherlands B.V., Netherlands                                   | NAG                   | 100.00 %         | 100.00 %         |
| NOVOPA  | Novo Panama S. de R.L., Panama  | NLAHES / NMIIAT       | 99.90 % / 0.10 % | 99.90 % / 0.10 % |
| NOVOPE  | NOVOMATIC Perú S.A.C., Peru   | NAG / NMIIAT          | 99.99 % / 0.01 % | 99.99 % / 0.01 % |
| NOVORO  | Novo Investment RO SRL, Romania   | NAG / NMIIAT          | 99.80 % / 0.20 % | 99.80 % / 0.20 % |
| NSMLDE  | LÖWEN ENTERTAINMENT GmbH, Germany   | NAG                   | 100.00 %         | 100.00 %         |
| NVLTAT  | Novo VLTech GmbH, Austria   | NAG                   | 100.00 %         | 100.00 %         |
| NVLTRO  | Novo VLTech Solutions SRL, Romania  | NAG / NVLTAT          | 0.01 % / 99.99 % | 0.01 % / 99.99 % |
| NWCKDE  | NWC NORD WEST CASINO GmbH, Germany  | EXTDE                 | 100.00 %         | 100.00 %         |
| OLACO   | NOVOMATIC Gaming Colombia S.A.S., Colombia                                | NAG                   | 100.00 %         | 100.00 %         |
| PLAAT   | Platogo Interactive Entertainment GmbH, Austria                           | GTA                   | 100.00 %         | 100.00 %         |
| PLANBY  | Planeta IGR PUE, Belarus  | AZARLT                | 80.00 %          | 100.00 %         |
| PLAYDE  | Play-Point Spielhallen- und Automatenbetriebsgesellschaft m.b.H., Germany | EXTDE                 | 100.00 %         | 100.00 %         |
| RALLUK  | RAL Ltd., United Kingdom  | TALAUK                | 100.00 %         | 100.00 %         |
| RECRES  | Recreativos del Este S.L., Spain  | ADGMES                | 60.00 %          | 60.00 %          |
| REDDDE  | Red Devil Spielothek GmbH, Germany  | EXTDE                 | 100.00 %         | 100.00 %         |
| RIVUNL  | Rio Vught B.V., Netherlands   | CAHONL                | 100.00 %         | 100.00 %         |
| SALLUK  | S.A.L Leisure Ltd., United Kingdom  | ASCGUK                | 100.00 %         | 100.00 %         |



| IC code | Company, domicile   | Superordinate company | Group share       | Direct share      |
|---------|---|-----------------------|-------------------|-------------------|
| SAMAES  | Salones Macao S.L., Spain   | ADGMES                | 75.00 %           | 75.00 %           |
| SBBKDE  | Spielbank Berlin GmbH & Co. KG, Germany   | SBNKDE                | 60.00 %           | 60.00 %           |
| SBEKDE  | Spielbank Berlin Entertainment GmbH & Co. KG, Germany                                   | NAG                   | 60.00 %           | 60.00 %           |
| SBMKDE  | Spielbanken MV GmbH & Co. KG, Germany   | SBNKDE                | 100.00 %          | 100.00 %          |
| SBNKDE  | NOVOMATIC Spielbanken Holding Deutschland GmbH & Co. KG, Germany                        | NAG                   | 100.00 %          | 100.00 %          |
| SBPRU   | Octavian SPb OOO, Russia  | NAG                   | 100.00 %          | 100.00 %          |
| SIMKDE  | SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & Co. KG i.L., Germany | NAG                   | 100.00 %          | 100.00 %          |
| SPGEDE  | Spieloose GeBo GmbH & Co. KG, Germany   | CARODE                | 100.00 %          | 100.00 %          |
| SPHEDE  | Spieloose Herne GmbH, Germany   | CARODE                | 100.00 %          | 100.00 %          |
| SPREDE  | Spieloose Relax Automatenaufstellungs- und Vertriebs - GmbH, Germany                    | CARODE                | 100.00 %          | 100.00 %          |
| SPTRDE  | Spieloose TRIO - Automatenaufstellungs- und Vertriebs-GmbH, Germany                     | CARODE                | 100.00 %          | 100.00 %          |
| SPVEDE  | Spielinsel Vermietungs GmbH, Germany  | BRONDE                | 100.00 %          | 100.00 %          |
| SUGANL  | Super Game B.V., Netherlands  | CAHONL                | 100.00 %          | 100.00 %          |
| TALAUK  | Talarius Ltd., United Kingdom   | ASTUK                 | 100.00 %          | 100.00 %          |
| TAXILT  | Taxillus UAB, Lithuania   | AZARLT                | 80.00 %           | 100.00 %          |
| TURHDE  | Turhan Spielsalon GmbH, Germany   | EXTDE                 | 100.00 %          | 100.00 %          |
| UGIRU   | United Gaming Industries OOO, Russia  | NAG /NMIIAT           | 99.99 % / 0.01 %  | 99.99 % / 0.01 %  |
| VERAES  | Verajuegos S.L., Spain  | ADGMES / SAMAES       | 24.00 % / 27.04 % | 24.00 % / 36.05 % |
| VGSBDE  | VGS Betriebsgesellschaft mbH, Germany   | CARODE                | 100.00 %          | 100.00 %          |
| VIDDE   | Casino Deluxe Beteiligungsgesellschaft mbH IV, Germany                                  | BPAFDE                | 100.00 %          | 100.00 %          |
| VILLBG  | Villox Group EOOD, Bulgaria   | NOVOBG                | 100.00 %          | 100.00 %          |
| VSGALT  | VSGA UAB, Lithuania   | AZARLT                | 80.00 %           | 100.00 %          |
| WETTRO  | Wettpunkt International SRL, Romania  | NOVORO                | 100.00 %          | 100.00 %          |
| WGVEDE  | WGV Entertainment GmbH, Germany   | CARODE                | 100.00 %          | 100.00 %          |
| ZSCADE  | ZS Casino Emsland GmbH, Germany   | EXTDE                 | 100.00 %          | 100.00 %          |

In addition, the Group holds the majority of shares in four other consolidated subsidiaries.

#### Non-Consolidated Affiliated Companies

| IC code | Company, domicile                               | Superordinate company | Group share      | Direct share |
|---------|---|-----------------------|------------------|--------------|
| ABZOGR  | AbZorba Games I.K.E., Greece                    | ABZOAT                | 100.00 %         | 100.00 %     |
| ADMIRO  | ADMIRAL ONLINE SRL, Romania                     | NMI / NOVORO          | 1.00 % / 99.00 % | 100.00 %     |
| BAGYHU  | Admiral Hungaria Kft., Hungary                  | AGIHU                 | 100.00 %         | 100.00 %     |
| BDGABA  | BD GAMING d.o.o., Bosnia and Herzegovina        | HTBLBA                | 100.00 %         | 100.00 %     |
| BETBMT  | BetCave Betting Solutions Ltd., Malta           | BETHMT                | 100.00 %         | 100.00 %     |
| BETHMT  | BetMen Holding Ltd., Malta                      | ASW                   | 100.00 %         | 100.00 %     |
| BETOMT  | BetMen Operations Ltd, Malta                    | BETHMT                | 100.00 %         | 100.00 %     |
| CAH2NL  | Casino Admiral Holland II B.V., the Netherlands | CAHONL                | 100.00 %         | 100.00 %     |
| CAH4NL  | Casino Admiral Holland IV B.V., the Netherlands | CAHONL                | 100.00 %         | 100.00 %     |
| CAH5NL  | Casino Admiral Holland V B.V., Netherlands      | CAHONL                | 100.00 %         | 100.00 %     |
| CAH6NL  | Casino Admiral Holland VI B.V., the Netherlands | CAHONL                | 100.00 %         | 100.00 %     |

| IC code | Company, domicile   | Superordinate company | Group share      | Direct share     |
|---------|---|-----------------------|------------------|------------------|
| CASVDE  | Casino Entertainment Verwaltungs-GmbH, Germany                        | EXTDE                 | 100.00 %         | 100.00 %         |
| CELIAT  | celix Solutions GmbH, Austria   | NAG                   | 80.00 %          | 80.00 %          |
| CPASPH  | CP Asian Solutions Corp., Philippines                                 | ASTUK                 | 51.00 %          | 51.00 %          |
| CRVBA   | CRVENO-CRNO d.o.o. Mostar, Bosnia and Herzegovina                     | HTLBA                 | 100.00 %         | 100.00 %         |
| EN61UK  | Enesco 961 Ltd., United Kingdom                                       | ASTUK                 | 100.00 %         | 100.00 %         |
| EN62UK  | Enesco 962 Ltd., United Kingdom                                       | ASTUK                 | 100.00 %         | 100.00 %         |
| GIPDE   | NOVOMATIC Spielbanken Holding Deutschland Verwaltungs GmbH, Germany   | SBNKDE                | 100.00 %         | 100.00 %         |
| GTSEMT  | Greentube Malta SEE Ltd., Malta                                       | GTMT                  | 100.00 %         | 100.00 %         |
| GTUSUS  | Greentube USA LLC, USA  | GTA                   | 100.00 %         | 100.00 %         |
| INLOLB  | Interlog SAL i. L., Lebanon   | INTLB                 | 95.00 %          | 100.00 %         |
| INTLB   | Interinvest Holding SAL i. L., Lebanon                                | NAG                   | 95.00 %          | 95.00 %          |
| KSBDE   | Kurhessische Spielbank Kassel/Bad Wildungen Verwaltungs GmbH, Germany | SIMKDE                | 100.00 %         | 100.00 %         |
| NDSVDE  | NOVO Data Solutions Verwaltungs GmbH, Germany                         | NDSKDE                | 100.00 %         | 100.00 %         |
| NOBEPL  | NOVOBET.PL Sp. z o.o., Poland   | ATTPL                 | 100.00 %         | 100.00 %         |
| NOINPL  | NOVO Investment PL Sp. z o.o., Poland                                 | ATTPL                 | 100.00 %         | 100.00 %         |
| NOLOLT  | Novoloto Vilnius UAB, Lithuania                                       | AZARLT                | 80.00 %          | 100.00 %         |
| NORDDE  | Norddeutsche Spielbanken GmbH i. L., Germany                          | NAG                   | 100.00 %         | 100.00 %         |
| NOVOHN  | Novo Gaming Honduras S. de R.L. de C.V. i. L., Honduras               | NLAHES / HTM          | 99.95 % / 0.05 % | 99.95 % / 0.05 % |
| NOVOTZ  | NOVOMATIC TANZANIA Ltd., Tanzania                                     | NAG                   | 100.00 %         | 100.00 %         |
| NOVOZA  | NOVOMATIC South Africa (Pty) Ltd., South Africa                       | AGISA                 | 100.00 %         | 100.00 %         |
| NSBSAT  | NOVOMATIC Sports Betting Solutions GmbH, Austria                      | NAG                   | 100.00 %         | 100.00 %         |
| NTSCS   | NOVOMATIC TECHNOLOGIES RS d.o.o. Belgrade, Serbia                     | NAG                   | 100.00 %         | 100.00 %         |
| SBBVDE  | Spielbank Berlin Verwaltungs GmbH, Germany                            | SBBKDE                | 59.50 %          | 100.00 %         |
| SBEVDE  | Spielbank Berlin Entertainment Verwaltungs-GmbH, Germany              | SBEKDE                | 60.00 %          | 100.00 %         |
| SBMVDE  | Spielbanken MV Verwaltungs-GmbH, Germany                              | SBMKDE                | 100.00 %         | 100.00 %         |
| SIMDE   | SIM Spielbanken Investitions- und Management GmbH i. L., Germany      | NAG                   | 100.00 %         | 100.00 %         |
| TECHAT  | Technoconsult, technisches Büro, Gesellschaft m.b.H., Austria         | SBPRU                 | 100.00 %         | 100.00 %         |

In addition, the Group holds the majority of shares in another non-consolidated affiliated company.

#### Companies Consolidated Using the Equity Method

| IC code | Company, domicile  | Superordinate company | Group share | Direct share |
|---------|--|-----------------------|-------------|--------------|
| 616US   | 616 Digital LLC, USA                                       | AGTAU                 | 21.16 %     | 40.00 %      |
| PRAGA   | Pratergarage Errichtungs- und Betriebsges. m.b.H., Austria | NAG                   | 47.50 %     | 47.50 %      |
| SMABDE  | Spielbank Mainz Beteiligungs-GmbH, Germany                 | SBNKDE                | 33.00 %     | 33.00 %      |
| SMAKDE  | Spielbank Mainz GmbH & Co. KG, Germany                     | SBNKDE                | 33.00 %     | 33.00 %      |

### Exemption from disclosure for Group companies

The following German companies are included in NOVOMATIC AG's Consolidated Financial Statement as per IFRS as fully consolidated companies and avail themselves of the possibility of exemption from a disclosure of their financial statements as of December 31, 2019, as granted under Sec. 264 para 3 and Sec. 264 b of the German Commercial Code (HGB):

- LÖWEN ENTERTAINMENT GmbH, Bingen
- ADMIRAL ENTERTAINMENT GmbH, Pfullendorf
- Admiral Play GmbH, Düsseldorf
- ADMIRAL Sportwetten GmbH, Rellingen
- Automaten Service Playtime GmbH, Pfullendorf
- Beku Automaten & Gastronomie Service GmbH, Pfullendorf
- BPA Freizeit- & Unterhaltungsbetriebe GmbH, Pfullendorf
- BRONCO Automaten Immobilien und Gaststätten GmbH, Pfullendorf
- Casino Deluxe Beteiligungsgesellschaft mbH I, Pfullendorf
- Casino Deluxe Beteiligungsgesellschaft mbH III, Pfullendorf
- Casino Deluxe Beteiligungsgesellschaft mbH IV, Pfullendorf
- Casino Entertainment GmbH & Co. KG, Pfullendorf
- Casino Macau GmbH, Pfullendorf
- Casino Royal GmbH, Pfullendorf
- City Freizeitanlagen GmbH, Pfullendorf
- Conrad Spielautomaten GmbH, Pfullendorf
- Domino-Automaten-Betriebs-GmbH, Pfullendorf
- EZEА GmbH, Pfullendorf
- Gelsenautomaten Verwaltungsgesellschaft mbH, Pfullendorf
- HGV Automatenaufstell- und Spielhallen GmbH, Pfullendorf
- HP Automatenbetriebs GmbH, Pfullendorf
- Ideal Entertainment GmbH, Pfullendorf
- Königstrasse Spielstätten und Automaten UG, Pfullendorf
- Moislinger Spielstätten und Automaten UG, Pfullendorf
- Mühlenstrasse Spielstätten und Automaten UG, Pfullendorf
- Neulin GmbH, Pfullendorf
- Novo Immobilien GmbH, Bingen
- Novo Immobilien Verwaltungsgesellschaft mbH, Bingen
- NOVO Data Solutions GmbH & Co. KG, Bingen
- NWC Nord West Casino GmbH, Pfullendorf
- Play-Point Spielhallen- u. Automatenbetriebsges.m.b.H., Pfullendorf
- Red Devil Spielothek GmbH, Pfullendorf
- Spielinsel Vermietungs GmbH, Pfullendorf
- Spieloase GeBo GmbH & Co. KG, Pfullendorf
- Spieloase Herne GmbH, Pfullendorf
- Spieloase Relax Automatenaufstellungs- und Vertriebs-GmbH, Pfullendorf
- Spieloase TRIO – Automatenaufstellungs- und Vertriebs-GmbH, Pfullendorf
- Turhan Spielsalon GmbH, Pfullendorf
- VGS Betriebsgesellschaft mbH, Pfullendorf
- WGV Entertainment GmbH, Pfullendorf
- ZS Casino Emsland GmbH, Pfullendorf

## (14) Subsequent Events after the Balance Sheet Date

In the USA, an asset deal was concluded with MTD Gaming Inc. MTD is a developer and provider of high-quality poker, keno and video reel content for multi-games and video lottery terminals (VLTs). The agreed consideration comprises a fixed purchase price of USD 13 million and a contingent consideration of approximately USD 13 million, which is dependent on the achievement of financial targets and contract renewals.

In Germany, one company was acquired at the end of February 2020 which operates eleven slot arcades in Lower Saxony. The consideration amounts to around EUR 7.2 million including the settlement of financing liabilities.

In the wake of the coronavirus crisis that broke out in the first quarter of 2020, the Group faces a whole host of challenges and restrictions in many countries due to various restrictions being imposed. The Gaming Operations segment is directly affected by the temporary closure of gaming facilities and the Gaming Technology segment by the reduction in the production of machines. In March 2020, around 75.0 percent of the gaming facilities in the European countries in which the Group operates were temporarily closed.

It is not yet possible to assess the extent of the impact of the coronavirus on the 2020 Financial Statement. The forecasts in place for global economic growth are subject to the provision that the actual impact of the coronavirus on the economy in 2020 cannot yet be estimated. The key factor here will ultimately be the length of supply chain delays for gaming machine production caused by the virus along with the temporary closures of slot arcades and casinos. As things look today, however, it is likely that the Group's net assets, financial and earnings position will be negatively affected by the coronavirus crisis.

## (15) Company Bodies of NOVOMATIC AG

The following members of the Executive Board of NOVOMATIC AG were appointed for the 2019 fiscal year and beyond:

Harald Neumann (CEO until February 29, 2020)  
 Ryszard Presch (COO)  
 Johannes Gratzl (CFO from September 5, 2019)  
 Dr. Christian Widhalm (CIO, Deputy Chairman of the Supervisory Board until August 31, 2019)  
 Peter Stein (CFO until August 31, 2019)  
 Thomas Graf (CTO until August 31, 2019)  
 Bartholomäus Czapkiewicz (CSO until August 31, 2019)

In the 2019 fiscal year and during the time of preparation of this report, the Supervisory Board of NOVOMATIC AG consisted of the following members:

Dr. Bernd Oswald (Chairman)  
 Martina Flitsch (Deputy Chairwoman)  
 Dr. Robert Hofians (member)  
 Martina Kurz (member until September 5, 2019)  
 Barbara Feldmann (member until September 5, 2019)

The current total remuneration of the members of the Executive Board of NOVOMATIC AG amounted to EUR 3.1 million (previous year: EUR 4.2 million). Of the expenses for severance payments and pensions, EUR -0.3 million (previous year: EUR -0.7 million) and EUR -3.8 million (previous year: EUR 0.7 million), respectively, were attributed to the Executive Board. The members of the Supervisory Board received EUR 0.3 million (previous year: EUR 0.3 million) for their work. No advances or contingencies were granted to members of the Executive Board in the 2019 fiscal year.

## (16) Publication

The present consolidated financial statement were released on March 23, 2020 by the Executive Board for examination by the Supervisory Board, for presentation at the general shareholders' meeting, and for subsequent publication.

Gumpoldskirchen, March 23, 2020

The Executive Board of NOVOMATIC AG



**Ryszard Presch**

Member of the Executive Board



**Johannes Gratzl**

Member of the Executive Board

## Statement by the Executive Board

We confirm that to the best of our knowledge, the consolidated financial statement of NOVOMATIC AG as of December 31, 2019, gives a true and fair view of the net assets, financial position and results of operations 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 as of December 31, 2019, 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.

We confirm that to the best of our knowledge, the annual financial statement of NOVOMATIC AG as of December 31, 2019, gives a true and fair view of the net assets, financial position and results of operations of the company as required by the Austrian Commercial Code (UGB), and that the management report as of December 31, 2019, gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties which the company faces.

Gumpoldskirchen, March 23, 2020

The Executive Board of NOVOMATIC AG



**Ryszard Presch**

Member of the Executive Board



**Johannes Gratzl**

Member of the Executive Board

# NOVOMATIC AG

# AUDITOR'S REPORT

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of NOVOMATIC AG, Gumpoldskirchen, and its subsidiaries (the Group), comprising the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position of the group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB.

### Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 and the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of Assets – Gaming Technology – Ainsworth

#### Description and Issue

In 2018 approximately 52% of Ainsworth Game Technology Limited ("Ainsworth") were acquired. As a result of the negative economic developments, particularly in the core market Australia, the forecasts of 2018 and 2019 had to be revised. The reduction of the expected results compared to the forecasts that existed at the time of acquisition led to impairments of goodwill and allocated assets in 2018 totaling 264.3 Mio. EUR. The impairment of Ainsworth's remaining assets was evaluated as per December 31, 2019. For further information, please refer to "(7.4) Impairments and Reversals of Impairments" in the notes of the consolidated financial statements. The underlying forecasts are, amongst other, based on estimates of the effects of these legal

and economic changes and are therefore subject to significant uncertainties. Due to that fact and the significance of Ainsworth's assets in the consolidated financial statements we identified this position as a key matter for our audit.

#### **Our Response**

We examined the assumptions underlying the forecasts prepared by NOVOMATIC AG and reviewed the calculation model used by the company. To verify the discount rates, applied by NOVOMATIC AG, we predetermined plausible ranges, and used them as benchmarks. Additionally, we carried out surveys with local management and inspected the working papers of the component auditor in Australia, especially with focus on the component auditor's assessment of the underlying forecasts.

## **Initial application of IFRS 16 Leases**

#### **Description and Issue**

In the financial year 2019, the first time adoption of the new accounting standard for leases (IFRS 16) had a material effect on the values of the opening balance sheet values and their carrying amounts in the financial year. The first time adoption led to an adjustment of assets and liabilities of 755.8 Mio. EUR as of January 1, 2019. Due to the volume of leases and the resulting transactions, group-wide processes for the complete and accurate recording of leases were implemented in a central IT system. Additionally, the first time adoption of IFRS 16 required an adjustment of the IT systems to present the leases. IFRS 16 requires estimates and judgments by the legal representatives for certain areas, which had to be assessed in the context of our audit. For further details, we refer to „(4) Accounting Policies – IFRS 16 leases“ in the notes of the consolidated financial statements. Due to the complexity of the new requirements of IFRS 16 and the significance of these assets and liabilities for the consolidated financial statements, we have identified IFRS 16 as a Key Audit Matter.

#### **Our Response**

As part of our audit, we have gained an understanding over the process of recording of leases. We assessed the IT-related adjustments for presentation of the leases and the calculation of the respective values with the involvement of internal specialists. On the basis of random samples, we inspected leasing contracts and assessed whether they were completely and accurately recorded as well as processed in the IT system for presentation of the leases.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information in the annual report but does not include the financial statements and the consolidated financial statements, the management report and the consolidated management report and our auditor's report on the financial statements and the consolidated financial statements thereon. The annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. With respect to the information in the consolidated management report we refer to the section "Report on the Audit of the consolidated Management Report".

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Regulation (EU) No 537/2014 and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Regulation (EU) No 537/2014 and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

### Opinion

In our opinion, the consolidated management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to section 243a UGB and is consistent with the consolidated financial statements.

### Statement

In the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit of the consolidated financial statements, we have not identified material misstatements in the consolidated management report.

## Other Matters which we are required to address according to Article 10 of Regulation (EU) No 537/2014

We were appointed by the annual general meeting on April 24, 2019 and commissioned by the supervisory board on November 21, 2019 to audit the consolidated financial statements for the financial year ending December 31, 2019. We have been auditing the Group uninterrupted since the financial year ending December 31, 2004.

We confirm that our opinion expressed in the section "Report on the Audit of the Consolidated Financial Statements" is consistent with the additional report to the audit committee referred to in Article 11 of Regulation (EU) No 537/2014.

We declare that we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 and that we remained independent of the Group in conducting the audit.

Vienna, March 23, 2019

Deloitte Audit Wirtschaftsprüfungs GmbH

**Walter Müller m.p.**

Certified Public Accountant (Austria)

This English translation of the audit report was prepared for the client's convenience only. It is not a legally binding translation of the German audit report. The consolidated financial statements and our auditor's report may be published or transmitted together only if the consolidated financial statements and the consolidated management report are identical with the confirmed version. Section 281 para 2 Austrian Commercial Code applies to versions that differ.

# SUPERVISORY BOARD REPORT NOVOMATIC AG

for the fiscal year 2019



The Supervisory Board held seven meetings during the 2019 fiscal year in which the Executive Board reported on business policy, and the Supervisory Board discussed, in detail, business developments and the position of the company, including all material Group companies. In addition, the Supervisory Board auditing committee received reports from the Executive Board and the auditor in five meetings. The Supervisory Board also received reports in three meetings, as part of its CR Committee, regarding the company's non-financial activities.

The annual and consolidated financial statements as at December 31, 2019 and the Executive Board management report have been examined with the involvement of accounting by Deloitte Audit Wirtschaftsprüfung GmbH, who were

appointed as auditor by the Annual General Meeting and who have issued an unqualified audit opinion. The examination of the annual and consolidated financial statements by the Supervisory Board did not give rise to any objections. The Supervisory Board agrees with the proposal of the Executive Board regarding the use of the net profits from 2019. The annual financial statements drawn up by the Executive Board were approved by the Supervisory Board and hence adopted in accordance with the Austrian Stock Corporation Act (AktG).

The legal representatives of the company have also issued a special consolidated non-financial report that was checked by the Supervisory Board. No complaints were noted. The auditor provided a report regarding the voluntary audit of selected non-financial performance indicators or topics and disclosure of the information required by §§ 243b and 267a of the Austrian Commercial Code (UGB) (Sustainability and Diversity Improvement Act, NaDiVeG) in the consolidated non-financial report for 2019, from which no complaints emerged.

The Supervisory Board acknowledges and thanks the Executive Board and all employees of NOVOMATIC AG's companies for their work during the 2019 fiscal year.

Gumpoldskirchen, March 2020

The Supervisory Board

**Dr. Bernd Oswald**  
(Chairman)



NOVOMATIC  
Individual Financial Statement

# NOVOMATIC AG MANAGEMENT REPORT

for the 2019 Financial Statement, NOVOMATIC AG, Gumpoldskirchen

## 1. Purpose of the Business and Strategy

NOVOMATIC<sup>1</sup> is a globally operating, integrated gaming technology and entertainment group with 40 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, manufactures and sells gaming products, lottery technologies and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC furthermore operates around 1,900 own gaming facilities, which include casinos, slot arcades, sports betting outlets and bingo facilities.

In addition to the development of gaming equipment, the NOVOMATIC Group has established itself as a content provider of games for licensed online and offline suppliers and as an operator of online gaming platforms.

NOVOMATIC pursues a strategy of vertical integration within the gaming industry, meaning it acts as a manufacturer of state-of-the-art gaming equipment as well as an operator of gaming facilities. In the years since its establishment, this has contributed significantly to the success of the Company. 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 technologies in a goal-oriented manner.

NOVOMATIC AG, as an individual company, assumes key functions in this context: It is first of all a holding company, which is reflected, for example, in the definition and monitoring of Group standards, but also in the centralization of financing and exchange rate issues. In addition, it plays a central role in the development of gaming equipment and content by its own development departments as well as by controlling the development centers distributed around the world, and holds the majority of the intellectual property rights of the NOVOMATIC Group. In addition, it has a major involvement in production through its own capacities, but also through the integration of other production companies in the Group and the purchase of supplies and services from third parties and related parties. In addition, it is the owner of significant parts of the Group's property portfolio in Austria.

## 2. Economic Conditions

It should be noted here that the statements regarding the overall economic development, the market development in the gaming market and the expected development of NOVOMATIC AG are based on estimates (e.g. studies, etc.) which do not yet take into account the influence of the coronavirus crisis unfolding around the world, as this cannot currently be reliably estimated. Please refer to the notes under Point 6. Risk Management for further information on the coronavirus crisis.

### Macroeconomic Development

Geopolitical tensions and protectionist trade policies, especially between the USA and China, are causing uncertainty in the global economy. The result, according to economists at the International Monetary Fund, was global growth of 3.0% in 2019<sup>2</sup> – the lowest level since the global economic crisis in 2008/2009.

<sup>1</sup> In this management report, the terms „NOVOMATIC“, „Group“ and „NOVOMATIC Group“ refer to the group of consolidated companies included in the consolidated financial statement for NOVOMATIC AG.

<sup>2</sup> According to the World Economic Outlook 2019 provided by the International Monetary Fund (IMF)

| Economic growth in % <sup>3</sup> | 2020 | 2019 | 2018 |
|-----------------------------------|------|------|------|
| Austria                           | 1.4  | 1.5  | 2.4  |
| Germany                           | 1.0  | 0.4  | 1.5  |
| Italy                             | 0.4  | 0.1  | 0.8  |
| United Kingdom                    | 1.4  | 1.3  | 1.4  |
| Spain                             | 1.5  | 1.9  | 2.4  |
| Netherlands                       | 1.3  | 1.7  | 2.6  |
| Central and Eastern Europe        | 2.5  | 1.8  | 3.1  |
| USA                               | 2.1  | 2.4  | 2.9  |
| Latin America                     | 1.8  | 0.2  | 1.0  |

Growth of 1.2% is forecast for the eurozone in 2019, where geopolitical tensions, revolving around the potential for a no-deal Brexit, have had a major impact on European economies. The loose monetary policy continuing to be pursued by the European Central Bank with the corresponding key interest rate of 0.0%, however, provides incentives for lending and investments.

Falling exports, due in part to the flailing automotive industry in Germany, together with lower investment activity meant that Austria's economy grew by 1.5% in 2019. Nevertheless, higher levels of private consumption and finance-related policy support ensured that the economy saw a stable development in comparison with other European countries.

Germany is being affected by the changing attitudes in the automotive industry, declining exports, outsourced production activities and lower domestic demand, meaning that Europe's economic powerhouse is seeing a substantial slowdown in the pace of growth, forecast to be 0.4% for 2019.

Italy's economy continues to flounder. Shrinking production output in line with the global trend coupled with falling levels of private consumption caused by weaker-than-average wage growth is expected to translate into economic growth of 0.1% in 2019.

Growth of 1.3% is forecast for the United Kingdom in 2019, attributable not just to the uncertainty surrounding Brexit but also to declining exports (-0.5%) and the negative effect of the general economic situation around the world. Higher wages, which lead to more spending, may help counter the economic slowdown.

Spain's economy is also blighted by weak consumer spending despite rising wages. The reason for this is the general level of uncertainty in the population, which is saving its money instead of investing. Growth in this part of the Iberian Peninsula is forecast to be 1.9% in 2019.

Private consumption will remain stable in 2019 on the back of rising wages and public spending in the Netherlands, but the pace of economic growth will nonetheless slow in a year-on-year comparison, coming in at 1.7% in 2019. This is largely attributable to weaker international demand reflecting the wider global economic situation.

Despite stable economic growth in a number of countries of Central and Eastern Europe (including Hungary, Poland and Romania), a year-on-year economic slowdown is also forecast for this region, amounting to 1.8% in 2019. The reason for this is primarily due to Russia's weaker-than-expected economic performance coupled with stagnating growth in Turkey.

With a macroeconomic growth of 2.9%, the United States is able to demonstrate a solid increase in 2019. It was possible to dampen the negative effects of tariff hikes on Chinese imports and the uncertainty surrounding trade policy thanks to loose monetary policy, robust consumption and high employment rates.

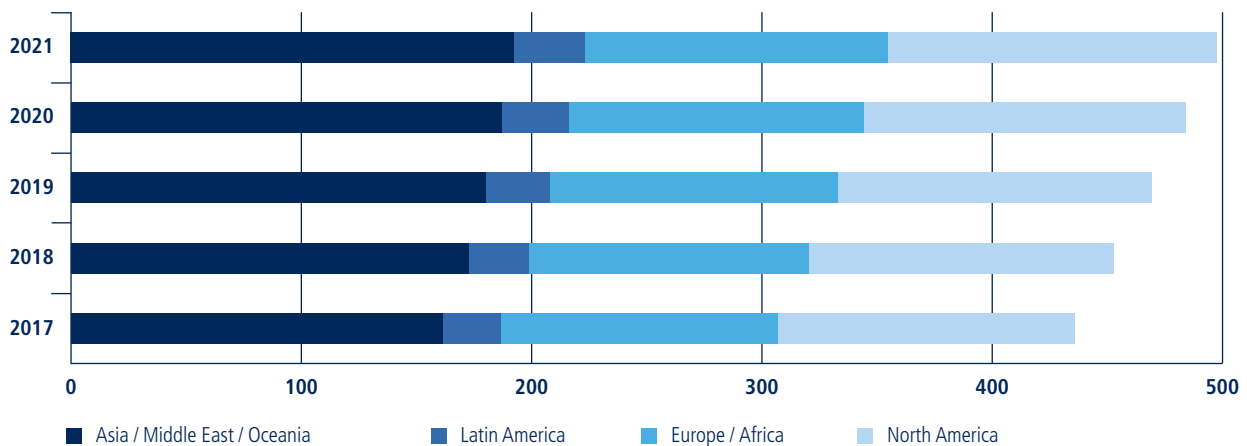
<sup>3</sup> Growth forecasts for Austria, Germany, Italy, the United Kingdom, Spain, and the Netherlands have been taken from the European Union.

The Latin American economy is estimated to grow by 0.2% in 2019, which is 0.8 percentage points below the figure of the previous year. The low level of growth is primarily the result of a waning performance by the two strongest economies on the continent, Brazil and Mexico. While disruptions in the mining supply chain are hampering Brazil's growth, Mexico is struggling with weak private consumption brought on by political uncertainty and lower levels of investment compared with in the previous year.

## Development of the Gaming Market

Despite more red tape and higher taxes in many markets, worldwide gaming revenues rose again 2019, reaching USD 463.9 billion according to the Global Gambling Report produced by Global Betting and Gaming Consultants (GBGC).<sup>4</sup> This represents an increase of 1.1% over the previous year. As in the past, the casino sector saw the most growth at 4.2%, while the second-largest sector, the lottery business, shrank by 1.2% compared with 2018.

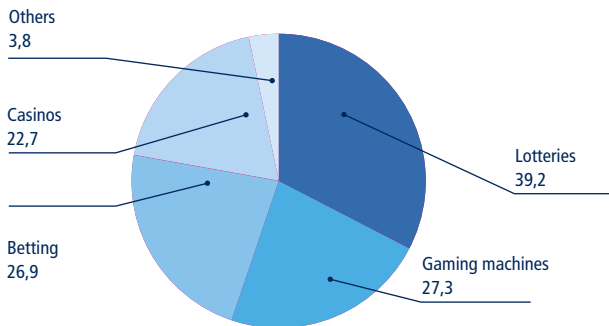
### WORLDWIDE GAMING REVENUES in billion USD (source: GBGC)



In Europe, NOVOMATIC's most important gaming market, gaming revenues amounted to USD 119.8 billion in 2019, 32.7% of which are attributable to the lottery sector, which is the largest sector in Europe with a total revenue of USD 39.2 billion and grew by 2.0% over 2018. Gaming machines not located in casinos continue to make up the second-largest sector in Europe, but the revenue generated by them fell by 7.2% due in part to changes in the regulatory environment. With an increase of revenue of 0.3%, growth on the European market was very modest compared with 2018. The experts at GBGC anticipate average growth of around 3.2% for the coming years, although this figure depends heavily on the regulations in place in the various individual European markets.

<sup>4</sup> According to the Global Gambling Report of the GBGC, September 2019

### GAMING REVENUES IN EUROPE, IN USD BILLIONS



Gross gaming revenues in the North American gaming market amounted to USD 135.1 billion in 2019, representing growth of 3.3 % over 2018. The largest percentage gains in revenues was recorded in the betting sector with 7.7 %. This sector benefited particularly from the repealing of a federal law banning sports betting anywhere except for the state of Nevada. Average growth of 3.1 % is forecast for the North American gaming market between 2019 and 2022.

The Latin American gaming market is forecast to achieve an average annual growth rate of 4.2 %. The lottery sector in particular is growing rapidly at around 6.5 %. In absolute terms, however, the importance of this gaming market remains subordinate to the other regions. With a gross gaming yield of USD 26.3 billion in 2019, the market accounted for only 5.7 % of global gaming revenues.

Global online gaming revenues rose again in 2019 (+6.9 %), reaching USD 53.9 billion, meaning that the online segment makes up around 11.6 % of global gaming revenues.

## 3. Business Performance

### General business development in the reporting period

For NOVOMATIC AG, 2019 is characterized by a significant decline of EUR 173.2 million in sales revenues to EUR 361.2 million, coupled with a moderate reduction in operating expenses by EUR 67.5 million and – compared to the previous year – a very positive development of the financial result to EUR 218.9 million. As regards the fall in revenues, this is primarily attributable to the drop of EUR 128.1 million in production revenue, due on the one hand to exceptionally high IC sales to Germany in 2018 as a result of the conversion to the Technical Guideline 5.0 as of November 11, 2018, and on the other to restrictions on replacing machines in the Group's own global operations. The financial result includes high levels of income from investments (dividends) totaling EUR 225.5 million and significantly lower financial expenses from write-downs to the going concern value of loans, investments and securities of EUR 14.6 million.

### Important events

In addition to cost optimization and efficiency enhancement measures, the consolidation course taken also resulted in the sale of various investments. The sale of the I-NEW Group in the 2018 fiscal year was followed by the sale of the subsidiaries in Croatia, the majority of the existing technology business in the UK, the NOVOMATIC Lottery Solutions Group, and other smaller subsidiaries in 2019. The decision was also taken at the end of the year to sell the shares in Casinos Austria AG.

Smaller companies were acquired in Germany and Eastern Europe, primarily focusing on the operation of slot arcades. With these acquisitions, the Group aims to further consolidate and enhance its market position in the corresponding core markets.



A bond issued on January 28, 2013, with an issue volume of EUR 250.0 million was repaid in January 2019. The utilization of the credit line of EUR 1.0 billion amounted to EUR 160.0 million as at December 31, 2019. By exercising the second extension option, the term of this credit line was extended by a further year, meaning that it is available for use until March 2024.

In May 2019, Standard & Poor's awarded NOVOMATIC AG a credit rating of BB+ with stable outlook.

## EARNINGS POSITION

| EUR m   | 2019           | 2018          |
|---|----------------|---------------|
| <b>Revenues</b>                               | <b>361.2</b>   | <b>534.4</b>  |
| Changes in inventory                          | -3.0           | 4.7           |
| Own work capitalized                          | 5.1            | 7.6           |
| Other operating income                        | 26.4           | 9.2           |
| Cost of material and other purchased services | -222.1         | -288.5        |
| Personnel costs                               | -96.1          | -91.6         |
| Total other operating expenses                | -84.9          | -88.6         |
| <b>EBITDA</b>                                 | <b>-13.5</b>   | <b>87.1</b>   |
| <b>EBITDA margin</b>                          | <b>-3.7 %</b>  | <b>16.3 %</b> |
| Depreciation and amortization                 | -22.7          | -24.5         |
| <b>EBIT</b>                                   | <b>-36.1</b>   | <b>62.6</b>   |
| <b>EBIT margin</b>                            | <b>-10.0 %</b> | <b>11.7 %</b> |
| Financial result                              | 218.9          | -292.0        |
| Earnings before taxes                         | 182.7          | -229.4        |
| Income tax                                    | 2.0            | 0.1           |
| Increase in net assets through merger         | 0.0            | 627.7         |
| <b>Annual profit</b>                          | <b>184.8</b>   | <b>398.4</b>  |

In the 2019 fiscal year, revenues reached EUR 361.2 million. The largest share was generated by production proceeds of EUR 240.0 million. These again comprise EUR 144.9 million from gaming machines, EUR 74.3 million from construction/conversion kits and spare parts, EUR 10.9 million from large devices and EUR 9.9 million from casino equipment and other merchandise.

The cost of materials and other purchased services amounts to EUR 222.1 million, putting the cost of materials ratio at 92.6%. Purchased services include development expenses of EUR 46.3 million.

Personnel costs amount to EUR 96.1 million. The average number of employees during the fiscal year was 1,237. Personnel costs include salary adjustments under collective bargaining agreements as well as voluntary increases.

Other operating expenses include advertising costs of EUR 14.9 million, other services received of EUR 8.8 million, and legal, auditing and consulting expenses of EUR 11.2 million as the most significant items.

As regards income, the financial result comprises income from investments of EUR 225.5 million, income from securities and loans of EUR 14.2 million, and other financial income of EUR 27.0 million. These are offset primarily by expenses from financial assets and securities held as current assets of EUR 16.0 million. EUR 31.8 million in interest and similar expenses is also reported.

The considerable amount of investment income resulted in earnings before taxes being positive.

## Net Assets

### BALANCE SHEET

#### Condensed Version

| EUR m                                    | 12/31/2019     | 12/31/2018     |
|--|----------------|----------------|
| <b>Fixed assets</b>                      | <b>2,100.3</b> | <b>2,159.5</b> |
| thereof intangible assets                | 11.9           | 5.9            |
| thereof property, plant and equipment    | 142.6          | 152.5          |
| thereof financial assets                 | 1,945.9        | 2,001.2        |
| <b>Current assets</b>                    | <b>379.3</b>   | <b>541.2</b>   |
| thereof inventories                      | 85.7           | 113.1          |
| thereof receivables and other assets     | 237.3          | 402.0          |
| thereof securities and interests         | 2.3            | 2.7            |
| thereof cash and cash equivalents        | 54.0           | 23.4           |
| Prepaid expenses                         | 8.9            | 9.9            |
| <b>ASSETS</b>                            | <b>2,488.5</b> | <b>2,710.7</b> |
| <b>Equity</b>                            | <b>732.3</b>   | <b>569.6</b>   |
| thereof share capital                    | 26.6           | 26.6           |
| thereof reserves                         | 303.4          | 303.4          |
| thereof retained profits / merger result | 402.3          | 239.6          |
| Provisions                               | 43.7           | 61.5           |
| <b>Liabilities</b>                       | <b>1,712.3</b> | <b>2,079.6</b> |
| thereof bonds                            | 700.0          | 950.0          |
| thereof liabilities due to banks         | 795.4          | 862.3          |
| thereof advance payments received        | 0.6            | 0.1            |
| thereof trade payables                   | 13.5           | 23.3           |
| thereof payables to affiliated companies | 191.4          | 224.1          |
| thereof other liabilities                | 11.4           | 19.9           |
| Deferred income                          | 0.1            | 0.0            |
| <b>EQUITY AND LIABILITIES</b>            | <b>2,488.5</b> | <b>2,710.7</b> |

Fixed assets decreased from EUR 2,159.5 million to a total of EUR 2,100.3 million compared with the previous year. This change was largely attributable to decreases in the area of financial assets.

Current assets decreased from EUR 541.2 million in the previous year to EUR 379.3 million. This is mainly due to a decrease in receivables from affiliated companies and in inventories, which in turn is offset by an increase in bank balances of EUR 30.6 million.

The company's share capital remained unchanged at EUR 26.6 million and reserves include tied-up reserves from the merger amounting to EUR 216.4 million. The change in equity is mainly due to the current result. Equity's share of total capital now amounts to 29.4 %, compared to 21.0 % in the previous year.

The reduction in provisions from EUR 61.5 million to EUR 43.7 million was accompanied by a decline in liabilities. Liabilities to affiliated companies went down from EUR 224.1 million to EUR 191.4 million and liabilities due to banks by EUR 66.9 million to EUR 795.4 million.

During the past financial year, NOVOMATIC AG's balance sheet total fell from EUR 2,710.7 million to EUR 2,488.5 million.

## Financial Position

| EUR m  | 2019   | 2018   |
|--|--------|--------|
| Cash flow from operating activities                          | 356.0  | -1.3   |
| Cash flow from investing activities (excluding acquisitions) | 164.9  | 122.1  |
| Free cash flow before acquisitions                           | 520.9  | 120.8  |
| Cash flow from acquisitions                                  | -126.3 | -506.1 |
| Free cash flow after acquisitions                            | 394.6  | -385.3 |
| Cash flow from financing activities                          | -364.0 | 19.3   |
| Net change in cash and cash equivalents                      | 30.6   | -366.0 |

## Investments in Intangible Assets, and Property, Plant and Equipment

Investments in intangible assets, and property, plant and equipment came to a total of EUR 21.7 million in 2019. The largest items here are gaming devices manufactured mostly in-house, the fleet of vehicles, and furniture and office equipment.

## Investments in Financial Assets (Acquisitions)

The key line items here relate to capital increases in existing subsidiaries.

## Financing

In the 2019 fiscal year, liabilities due to banks and liabilities from bonds were reduced by EUR 316.9 million. The bond issued in 2013 (AT0000A0XSN7) in the amount of EUR 250.0 million was redeemed at final maturity as agreed in January 2019. In March 2019, an installment loan of EUR 3.0 million arranged in 2004 was finally repaid. In October 2019, a tranche of EUR 2.5 million relating to the promissory note loan issued in 2015 was repaid ahead of schedule. In October 2019, equity financing (with a federal guarantee from Österreichische Kontrollbank AG) for EUR 20.0 million arranged in 2012 with an outstanding loan amount of EUR 6.0 million was also repaid ahead of schedule due to the sale of the Group companies in the United Kingdom associated with this financing. The second extension option pertaining to the revolving credit line of EUR 1 billion was exercised in March 2019, meaning that the credit line can be used until its end in March 2024.

## Selected Key Figures

|   |        | 31.12.2019 | 31.12.2018 |
|---|--------|------------|------------|
| Earnings before taxes   | EUR m  | 182.7      | -229.4     |
| Minus interest expenses   | EUR m  | -31.8      | -38.9      |
| Earnings before interest and taxes  | EUR m  | 214.5      | -190.5     |
| Return on equity (earnings before interest and taxes / equity)                | [%]    | 29.3       | -33.4      |
| Return on sales (earnings before interest and taxes / revenues)               | [%]    | 59.4       | -35.7      |
| Return on investment (earnings before interest and taxes / total capital)     | [%]    | 8.6        | -7.0       |
| Asset structure (fixed assets / total assets)                                 | [%]    | 84.4       | 79.7       |
| Equity ratio (equity / total capital)   | [%]    | 29.4       | 21.0       |
| Asset coverage (equity / fixed assets)  | [%]    | 34.9       | 26.4       |
| Turnaround time inventories (inventories x 365 / total operating performance) | [days] | 80.3       | 74.2       |
| Material usage ratio (material usage / production revenue)                    | [%]    | 92.6       | 78.4       |
| Personnel cost ratio (personnel costs / total operating performance)          | [%]    | 24.7       | 16.5       |

The increase in the equity base (due to the development of earnings) is reflected in the development of the capital ratios. The key earnings figures are positive due to the high level of financial income.

## 4. Non-Financial Performance Indicators

Regarding the reporting on the non-financial statement, reference is made to the separate, non-financial report of NOVOMATIC AG according to the Sustainability and Diversity Improvement Act (NaDiVeG).

## 5. Prospective Development of the Company

NOVOMATIC AG, as a sole proprietorship and industrial enterprise, anticipates a decline in revenues in 2020. This is due to a further decline in production revenue from intra-Group business relations. With a moderate increase in personnel costs, reduced other operating expenses, depreciation and amortization, and a slightly lower financial result, results from ordinary activities will therefore decline.

## 6. Risk Management

Within the scope of its business, the NOVOMATIC Group is subject to a number of risks which inevitably arise in connection with entrepreneurial activities. Risk management, as it is understood and applied within the NOVOMATIC Group, aims at both securing the long-term existence of the company and increasing the added value. It therefore represents a major factor in the Group's success.

### Risk Management System

NOVOMATIC engages in extensive risk management that involves all major Group companies. The risk management system aims at systematically identifying, evaluating, controlling, monitoring and documenting material risks and risks directly jeopardizing the company's existence in order to ensure achievement of the corporate objectives and to increase risk awareness within the Group.

All risks, which are determined and analyzed systematically, are recorded within a professional, IT-based risk management system which ensures that risks, as well as the assigned management measures and control mechanisms are monitored on a permanent basis.

For continued monitoring of the risk situation and to ensure active controlling, the risks are assigned to the responsible individuals within the individual corporate areas and Group companies. It lies within the responsibilities of the risk officers to define and implement measures aimed at dealing with the individual risks, to document emergent risks, and to perform reassessments of the identified risks at regular, defined intervals. Central risk management supports the individual areas in a consulting function and ensures the continuous updating and further development of the risk management system.

## Compliance

In addition to the types of risk described below, there are also threats related to the reputation and the competitiveness of the company as a whole. As one of the basic principles of entrepreneurial activities, NOVOMATIC pays particular attention to compliance with statutory and ethical regulations.

The term „compliance“ is used to describe all measures with which the company ensures that laws, regulations and voluntary codes are adhered to. NOVOMATIC's compliance activities focus mainly on measures aimed at ensuring that national and international laws on the avoidance of criminal acts, such as corruption, market abuse, money laundering and misuse of data are adhered to.

The Group's compliance management system is based on the seven core elements of the German audit standard for compliance management systems, IDW PS 980, and pursues the goal of ensuring compliance with legal provisions and corporate values set out in the Code of Conduct of NOVOMATIC AG. In the Code of Conduct, employees find guidelines and principles for values-based and lawful behavior during day-to-day business activities. This Code of Conduct also provides the basis for training activities related to integrity and compliance. Depending on the risk and the target group, training sessions requiring personal attendance, as well as web-based training events, are held. In-house-developed e-learning tools allow a large number of employees to be educated on issues such as data protection or the fight against corruption.

All major subsidiaries have appointed compliance officers for each country or region. The relevant duties of the local compliance managers are defined as binding in a separate Group guideline and include in particular advising the local Group subsidiaries on compliance issues, monitoring local law, training employees, implementing Group guidelines and reporting to Group Legal Compliance. This is intended to make a significant contribution to ensuring that ethical and rule-abiding behavior is sustainably anchored throughout the entire Group.

## Significant Risks and Uncertainties

The following is a detailed description of the risks and uncertainties that can have a major influence on the net assets, financial and earnings position as well as the reputation of the NOVOMATIC Group.

### Business and Market Risks

#### General economic conditions, M&A risks, innovation risks, and IT risks

The NOVOMATIC Group's business is dependent on general economic conditions. A deterioration of general economic conditions, increasing unemployment, declining real incomes and increased volatility in the capital markets, could have a significant negative impact on the net assets, financial and earnings positions of the NOVOMATIC Group.

A central element of the NOVOMATIC Group's growth strategy is the geographic diversification of its business by entering markets that offer opportunities for growth. There is a risk that in the future, for various reasons including legal conditions, the NOVOMATIC Group may not or may only to a limited extent be able to pursue this course of expansion, or may not be able to expand its product and/or service offerings.

The NOVOMATIC Group generates the majority of its revenues in a limited number of markets. As these are relatively well-developed markets, further growth opportunities are rather limited. The NOVOMATIC Group plans to expand its business activities in other markets, an effort for which considerable resources are being deployed. There is a risk that the anticipated growth in these countries and regions will not be realized, and/or that the NOVOMATIC Group will not be successful in implementing its strategies there.

Generally speaking, the gaming industry is characterized by rapid technological development, which forces the NOVOMATIC Group to continuously develop new products and enter new markets. The NOVOMATIC Group's success therefore depends on its ability to continuously enhance the development of its products and systems in order to integrate new technologies and expand into new markets created by new technologies. In a highly technology-dependent field of business where new technologies are developed or used within short innovation cycles, there is a risk that NOVOMATIC may not recognize innovative technologies and developments at a sufficiently early stage.

By the same token, the integrity, reliability and operative performance of the NOVOMATIC Group's IT systems are essential to the business. In particular, device manipulation could force the NOVOMATIC Group to use considerable financial resources to remedy the situation.

In the wake of the coronavirus crisis that broke out in the first quarter of 2020, the Group faces a whole host of challenges and restrictions in many countries due to various restrictions being imposed. The Gaming Operations segment is directly affected by the temporary closure of gaming facilities and the Gaming Technology segment by the reduction in the production of machines. In March 2020, around 75.0% of the gaming facilities in the European countries in which the Group operates were temporarily closed.

It is not yet possible to assess the extent of the impact of the coronavirus on the 2020 Financial Statement. The forecasts in place for global economic growth are subject to the proviso that the actual impact of the coronavirus on the economy in 2020 cannot yet be estimated. The key factor here will ultimately be the length of supply chain delays for gaming machine production caused by the virus along with the temporary closures of slot arcades and casinos. As things look today, however, it is likely that the Group's net assets, financial and earnings position will be negatively affected by the coronavirus crisis.

## **Personnel Risks**

### **Key Personnel Risks, Knowledge Risk**

NOVOMATIC's business success comes thanks to the existing knowledge and expertise of its management and employees. Should one or several individuals in key positions leave the company, there is a risk that NOVOMATIC might not be able to recruit qualified individuals with comparable know-how within an appropriate period of time to deal with emerging challenges.

## **Legal and Political Risks**

### **Political Instability, Regulatory Changes: Gaming and Other Laws, Dependency on Licenses and Competition Regulations; Intellectual Property, Privacy**

The NOVOMATIC Group's international business entails economic, political, legal and other risks. The NOVOMATIC Group conducts business in more than 70 countries. Some of these countries are politically or economically unstable which subjects NOVOMATIC to certain risks. Social unrest or strikes could force the NOVOMATIC Group to interrupt or halt its business activities.

The gaming industry is subject to particularly frequent and sudden legal amendments that can make business significantly more difficult or prohibit it entirely. Insufficient legal or administrative conditions in some countries can furthermore provide insufficient protection for NOVOMATIC AG's intellectual property or other rights. In some of these countries, crime and corruption are widespread, which could have a negative impact on NOVOMATIC AG's business.

The NOVOMATIC Group operates on the basis of currently prevailing political, economic, legal, and fiscal conditions, and is subject to the risk of changes to legal and taxation-related framework conditions. Changes which have already been adopted or other restrictions in other jurisdictions (e.g. gaming tax hikes or stricter competition laws) also have a sustained impact on the NOVOMATIC Group's business activities.

Gaming, and in particular online gaming, is currently not harmonized at the EU level. The individual legal frameworks of the EU Member States are, in some cases, disputed among gaming law experts. There is a risk that, in the future, limitations with regard to gaming and betting could be implemented at a national level. In addition to this, regulatory measures (e.g. access restrictions, stricter player protection measures, provisions for the protection of non-smokers, technical requirements, advertising bans or location requirements) could be introduced. Such measures could result in a decline in the number of visitors and the revenues earned.

There continue to be risks due to the dependence on national licenses, regulations on competition and statutory provisions regarding the operation of gaming and betting facilities as well as risks due to the dependence on production, sales and product licenses: In the countries where the NOVOMATIC Group does business, the operation of gaming and betting facilities requires a license, concession or other type of permission from the authorities in charge. Such licenses/concessions are usually granted for a limited period of time or in the form of license agreements with limited duration. Should no option for prolongation be provided or if an extension were only possible under economically unacceptable or untenable conditions or requirements, the NOVOMATIC Group would need to participate in new tender procedures in order to recover such a license/concession.

Moreover, in the countries where the NOVOMATIC Group does business, a permit from a state gaming authority is frequently required in order to be able to sell gaming machines and other gaming products and services. Both manufacturing and sales licenses are generally granted for a limited period of time and are subject to an audit plus subsequent certification by the competent inspecting authorities. Once licenses have been granted, they are usually extended automatically, provided that all license requirements are met. The possibility cannot be excluded that, despite the utmost care, legal provisions, regulatory requirements, technical standards or licensing conditions may not be complied with within the NOVOMATIC Group, which could result in the partial or complete withdrawal of a license, the determination of breaches of competition laws, or other types of damage to the NOVOMATIC Group's net assets, financial and earnings positions or reputation.

The NOVOMATIC Group develops, produces and sells sophisticated technological gaming equipment and systems that are to a large extent protected by industrial property rights such as trademark protection rights, patent rights and rights for the protection of registered designs, as well as copyright. There is a risk in respect of intellectual property (third parties violating industrial property rights or copyrights belonging to the NOVOMATIC Group, as well as of the NOVOMATIC Group violating the industrial property rights or copyrights of third parties). In particular, there is a risk that developments owned by the NOVOMATIC Group might be copied and illegally used or introduced to the market by third parties.

The NOVOMATIC Group is subject to the risk of being unable to sufficiently protect its customer data. The NOVOMATIC Group holds information about its customers which is in part sensitive (name, address, age, bank data and gaming tendencies) and must follow the strict data protection rules stipulated by the EU and other jurisdictions. Despite the security systems implemented by the NOVOMATIC Group, there is the risk that customer data could be retrieved and/or used illegally, either by employees or by customers or third parties. There is also the risk that customer data might be deleted, disclosed or edited involuntarily or in violation of data protection regulations. Should the NOVOMATIC Group or one of its external service providers transmit customer data without sufficient protection, or should confidential customer data be lost in any other way, the NOVOMATIC Group might be held liable under data protection laws, which would also damage the Group's reputation.

## Financial Risks

### Liquidity Risks, Counterparty Risks, Interest Rate Risks, Currency Risks, Impairment Risks in Connection with Investment Valuations and Risks in Connection with Capital Investments

The NOVOMATIC Group is subject to financial risks in the form of capital risks, liquidity risks, counterparty risks, interest rate risks, currency risks, impairment risks related to investment valuations and risks related to capital investments. In order to limit these risks, NOVOMATIC makes use of financial instruments, if necessary.

Extensive descriptions of the individual risks, including the methods used to hedge the risks mentioned above, are provided in the notes to the consolidated financial statement.

## 7. Important Features of the Internal Control System Relevant to the Financial Reporting Process

As part of the Company's risk management system, the aim of the internal control system (ICS) is to ensure the reliability of financial reporting along with compliance with legal and internal requirements.

NOVOMATIC AG's Executive Board is responsible for the establishment of an appropriate ICS concerning the accounting process. In order to evaluate the appropriateness and effectiveness of this internal control system, the Executive Board has instructed the internal audit department to continuously analyze the main processes, respective related risks and existing control measures, and to report the results to the Executive Board.

Starting with the main financial items on the balance sheet and income statement, the ICS must consider the most important transaction flows in terms of their risks. The ICS is managed in a structured way in line with the areas of responsibility as defined by the organizational structure. Internal rules and procedural guidelines are also an essential part of the control environment.

In order to avoid material misstatements when presenting transactions, any identified risks are analyzed and assessed with a view to introducing meaningful and effective control mechanisms to ensure accuracy in the ongoing accounting process. As part of the activities involved in preparing the annual report, additional targeted risk analyses are carried out to ensure that accounts are closed properly and carefully.

In accordance with the transaction flows defined as significant, which then are ultimately included in the finance division's financial reports, workflows are analyzed with regard to their inherent risks and corresponding control activities are defined. The aim of this procedural approach is to ensure that the individual transactions are correctly recorded in the annual financial statement. The various controls of varying degrees and intervals comprise automated controls in the accounting software on the one hand and manual controls by employees in accounting and the departments upstream of the accounting process on the other. The accounting department carries out extensive plausibility and data quality checks, among other things, to ensure that data destined for the annual report is correctly recorded. The accounting department also draws on the support of external service providers for some matters that require specialized knowledge, such as the valuation of pension obligations and entitlements to severance pay. Any changes in accounting and valuation policies are reviewed to ensure that they are in compliance with the law.

For the accounting-related IT system, access privileges have been defined to ensure that sensitive data is protected from unauthorized access, use and modification.

The Executive Board keeps abreast of relevant developments in the C through regular reports prepared by the financial department. This includes, above all, the development of current earnings as well as any detected major deviations from the approved annual budget, calculation of the cash flow, as well as calculation of the result and value-oriented key figures.



The Supervisory Board is also included in the control system via the auditing committee. The auditing committee's main responsibilities include monitoring the accounting process, monitoring the internal control and risk management system, monitoring the audit of the financial statement and critically appraising the audited financial statement, as well as the management report.

Monitoring of compliance with ongoing accounting processes (with the exception of the preparation of the annual financial statement) is performed by the Group's auditing department.

## 8. Research and development

Thanks to its numerous technology centers, the NOVOMATIC Group is a pioneer in the development of innovative products and system solutions in the area of gaming. The Group's development activities focus both on „Distributed Gaming Solutions“ and on gaming content and application software. The developed software system solutions include management information systems, ticketing and smart card systems, access systems, video lottery systems, biometric player recognition, links to government regulators, player protection programs, „gaming as a service“, online and mobile gaming system solutions, jackpot systems, multiplayer and community gaming systems, as well as tournament systems. Both the modular software architecture and the various developments' interoperability are crucially important.

Development activities should be equally efficient for homogeneous markets and highly-specialized niche markets. This is ensured by an open platform architecture and development teams that are specialized in individual market segments. The open platform infrastructure allows for the integration of third-party providers and their gaming applications to be able to satisfy market needs in a better and faster manner.

In developing the newest generation of cabinet variants and models, which kick off new industry trends, industrial design is an extremely important factor. Innovation in terms of hardware includes new and ergonomic cabinet designs for casino, video lottery and AWP gaming markets with control possible of up to four monitors, skill-based roulette terminals with state-of-the-art ball release mechanisms, the new PANTHERA™ cabinet, as well as V.I.P. terminals with giant screen technology and dynamic lighting effects based on single LED technology. In terms of data security, increasing emphasis is being placed on physical random number generators that use quantum mechanics.

Linked Progressive Jackpots are another addition to the games on offer. It was thus possible to successfully establish new jackpot families such as „Thunder Cash“ for the US market and „Cash Connection“ for the European market.

Development of the game was supported by internal hardware and software development teams, as well as close partners from Austria, Germany, the United Kingdom, Italy, the Netherlands, Greece, Serbia, Slovakia, Spain, Poland, Russia, Argentina, Canada, Australia and the USA, as well as by means of an exclusive partnership with developers in Slovenia.

The global importance of intellectual property protection is on the rise. With approx. 4,700 registered IP trademarks and in excess of 100 registrations per year, special attention is paid to this area. The Group is constantly developing new products and product variations, resulting in over 200 new gaming variants per year. With the help of the software development kit (SDK), it is possible to add games developed by third parties (who use this SDK) to the portfolio immediately.

NOVOMATIC's innovative strength receives frequent public recognition in the form of awards. At the ICE 2019 in London, not only did the Company win the „World Exhibition Stand Award“ for its unique trade fair presence, but it was also once again crowned „Casino Supplier of the Year“.

## 9. Acknowledgments

We would like to thank all employees of NOVOMATIC AG for their strong commitment, with which they have made a major contribution to the company's further development and success. We are especially indebted to the Supervisory Board under the leadership of Dr. Bernd Oswald and furthermore we would like to acknowledge the positive relationships with our capital providers and business partners, relationships which have always been characterized by a pleasant collaboration.

Gumpoldskirchen, March 23, 2020



**Ryszard Presch**  
Executive Board



**Johannes Gratzl**  
Executive Board

# NOVOMATIC AG

# BALANCE SHEET

as of December 31, 2019

## Assets

| A. Fixed assets   | 31.12.2019              | 31.12.2018       |
|---|-------------------------|------------------|
|   | EUR                     | KEUR             |
| <b>I. Intangible Assets</b>   |                         |                  |
| 1. Concessions, industrial property rights and similar rights and benefits and licenses derived therefrom | 8,879,762.63            | 3,753            |
| 2. Advance payments   | 2,974,177.03            | 2,149            |
|   | 11,853,939.66           | 5,902            |
| <b>II. Property, plant and equipment</b>  |                         |                  |
| 1. Land, buildings and improvements to third-party buildings  | 117,039,334.77          | 122,234          |
| 2. Plant and machinery  | 13,474,376.65           | 16,651           |
| 3. Other equipment, factory and office equipment  | 12,041,940.12           | 13,323           |
| 4. Prepayments and tangible assets in course of construction  | 0.00                    | 278              |
|   | 142,555,651.54          | 152,487          |
| <b>III. Financial assets</b>  |                         |                  |
| 1. Shares in affiliated companies   | 1,500,823,900.99        | 1,497,752        |
| 2. Loans to affiliated companies  | 302,071,257.03          | 380,318          |
| 3. Investments  | 24,175,444.55           | 24,175           |
| 4. Loans to associated companies  | 350,000.00              | 428              |
| 5. Securities held as fixed assets  | 108,338,117.65          | 93,958           |
| 6. Other loans  | 10,107,422.83           | 4,527            |
|   | 1,945,866,143.05        | 2,001,159        |
|   | <b>2,100,275,734.25</b> | <b>2,159,548</b> |
| <b>B. Current assets</b>  |                         |                  |
| <b>I. Inventories</b>   |                         |                  |
| 1. Raw materials and supplies   | 38,378,149.77           | 51,661           |
| 2. Work in progress   | 15,783,347.81           | 19,010           |
| 3. Finished goods and trade goods   | 29,671,591.72           | 39,199           |
| 4. Advance payments   | 1,836,281.94            | 3,199            |
|   | 85,669,371.24           | 113,069          |

**II. Receivables and Other Assets**

|  |                         |                  |
|--|-------------------------|------------------|
| 1. Trade receivables<br>thereof with a remaining term of more than one year<br>EUR 559,251.75 (previous year: KEUR 1,758)                        | 32,640,284.26           | 24,387           |
| 2. Receivables from affiliated Companies<br>thereof with a remaining term of more than one year<br>EUR 2,709,831.07 (previous year: KEUR 11,508) | 164,329,631.37          | 316,755          |
| 3. Other receivables and assets<br>thereof with a remaining term of more than one year<br>EUR 33,647.10 (previous year: KEUR 34)                 | 40,326,960.70           | 60,875           |
|  | <b>237,296,876.33</b>   | <b>402,018</b>   |
| <b>III. Securities and interests</b>   |                         |                  |
| Other securities and interests   | 2,325,358.14            | 2,746            |
| <b>IV. Cash, bank deposits</b>   | <b>53,999,271.26</b>    | <b>23,399</b>    |
|  | <b>379,290,876.97</b>   | <b>541,231</b>   |
| <b>C. Prepaid expenses</b>   |                         |                  |
| Prepaid expenses   | <b>8,905,327.29</b>     | <b>9,932</b>     |
|  | <b>2,488,471,938.51</b> | <b>2,710,711</b> |

## Passiva

| A. Equity  | 31.12.2019            | 31.12.2018     |
|--|-----------------------|----------------|
|  | EUR                   | KEUR           |
| I. Requested and paid-up share capital   | 26,590,000.00         | 26,590         |
| II. Capital reserves<br>Appropriated capital reserves  | 85,386,371.00         | 85,386         |
| III. Retained earnings   |                       |                |
| 1. legal reserve   | 1,623,629.00          | 1,624          |
| 2. Tied-up reserves from the merger  | 216,400,000.00        | 216,400        |
| 3. Other reserves (free reserves)  | 15,395.39             | 15             |
|  | 218,039,024.39        |                |
| IV. Retained profits<br>thereof profit carryforward EUR 217,552,707.68<br>(previous year: KEUR 57,541)   | 402,316,804.69        | 239,553        |
|  | <b>732,332,200.08</b> | <b>569,568</b> |
| <b>B. Provisions</b>   |                       |                |
| 1. Provisions for severance payments   | 10,904,016.00         | 10,130         |
| 2. Provisions for pensions   | 4,456,668.56          | 8,066          |
| 3. Provisions for taxes  | 862,000.00            | 5,644          |
| 4. Other provisions  | 27,475,111.34         | 37,667         |
|  | <b>43,697,795.90</b>  | <b>61,507</b>  |
| <b>C. Liabilities</b>  |                       |                |
| thereof with a remaining term of up to one year EUR 514,402,812.32 (previous year: KEUR 531,248)   |                       |                |
| thereof with a remaining term of more than one year EUR 1,197,911,250.91 (previous year: KEUR 1,548,388)   |                       |                |
| 1. Bonds<br>thereof with a remaining term of up to one year EUR 0.00<br>(previous year: KEUR 250,000)<br>thereof with a remaining term of more than one year<br>EUR 700,000,000.00 (previous year: KEUR 700,000)                           | 700,000,000.00        | 950,000        |
| 2. Due to banks<br>thereof with a remaining term of up to one year EUR<br>298,477,272.73 (previous year: KEUR 28,380)<br>thereof with a remaining term of more than one year EUR<br>496,897,727.27 (previous year: KEUR 833,875)           | 795,375,000.00        | 862,255        |
| 3. Prepayments on orders received<br>thereof with a remaining term of up to one year EUR<br>567,994.06 (previous year: KEUR 67)  | 567,994.06            | 67             |
| 4. Trade payables<br>thereof with a remaining term of up to one year EUR<br>13,527,214.65 (previous year: KEUR 23,268)   | 13,527,214.65         | 23,268         |
| 5. Payables to affiliated companies<br>thereof with a remaining term of up to one year EUR<br>191,423,875.43 (previous year: KEUR 210,079)<br>thereof with a remaining term of more than one year EUR 0.00<br>(previous year: KEUR 14,032) | 191,423,875.43        | 224,112        |

|   |                         |                  |
|---|-------------------------|------------------|
| 6. other liabilities  |                         |                  |
| thereof with a remaining term of up to one year EUR<br>10,406,455.45 (previous year: KEUR 19,454) |                         |                  |
| thereof with a remaining term of more than one year EUR<br>1,013,523.64 (previous year: KEUR 481) |                         |                  |
| thereof from taxes EUR 249,767.99 (previous year: KEUR 300)                                       |                         |                  |
| thereof social security EUR 1,792,295.55<br>(previous year: KEUR 2,146)                           | 11,419,979.09           | 19,934           |
|   | <b>1,712,314,063.23</b> | <b>2,079,636</b> |
| <b>D. Prepaid expenses</b>  |                         |                  |
| Prepaid expenses  | 127,879.30              | 0                |
|   | <b>2,488,471,938.51</b> | <b>2,710,711</b> |

# NOVOMATIC AG

# PROFIT AND LOSS ACCOUNT

For the period from January 1, to December 31, 2019

|   | 01–12/2019      | 01–12/2018 |
|---|-----------------|------------|
|   | EUR             | KEUR       |
| 1. Sales  | 361,174,412.78  | 534,350    |
| 2. Changes in inventories of finished goods and work in progress  | -2,964,111.03   | 4,725      |
| 3. Other own work capitalized   | 5,124,155.43    | 7,593      |
| 4. Other operating income   |                 |            |
| a. Income from the disposal of and additions to fixed assets, excluding financial assets                          | 3,214,152.82    | 945        |
| b. Income from the release of provisions  | 3,279,190.11    | 110        |
| c. other  | 19,875,018.62   | 8,176      |
|   | 26,368,361.55   | 9,232      |
| 5. Expenses for material and other purchased manufacturing services   |                 |            |
| a. Cost of material   | -163,730,441.82 | -230,516   |
| b. Cost of purchased services   | -58,407,621.38  | -58,016    |
|   | -222,138,063.20 | -288,533   |
| 6. Personnel costs  |                 |            |
| a. Wages  | -9,253,516.26   | -9,217     |
| b. Salaries   | -67,499,792.87  | -61,752    |
| c. Social expenses  |                 |            |
| aa. Expenses for pensions   | 3,821,389.16    | -725       |
| bb. Expenses for severance payments and contributions to external severance payments funds                        | -2,588,268.36   | -388       |
| cc. Cost of statutory social security, payroll-related taxes and mandatory contributions                          | -18,852,488.58  | -17,340    |
| dd. Other   | -1,737,029.22   | -2,195     |
|   | -19,356,397.00  | -20,648    |
|   | -96,109,706.13  | -91,617    |
| 7. Amortization and Depreciation  |                 |            |
| of intangible assets and of tangible assets thereof extraordinary depreciation EUR 0.00 (previous year: KEUR 798) | -22,665,069.37  | -24,512    |
| 8. Other operating expenses   |                 |            |

|   |                       |                 |
|---|-----------------------|-----------------|
| a. Taxes not included in line 18  | -822,050.91           | -1,049          |
| b. Other  | -84,115,104.73        | -87,594         |
|   | -84,937,155.64        | -88,643         |
| <b>9. Subtotal of lines 1 to 8 (Operating profit)</b>   | <b>-36,147,175.61</b> | <b>62,596</b>   |
| <b>10. Investment income</b><br>thereof from affiliated companies EUR 219,434,805.05<br>(previous year: KEUR 30,296)  | 225,476,026.70        | 37,470          |
| <b>11. Income from other investments and long-term loans</b><br>thereof from affiliated companies EUR 13,361,511.59<br>(previous year: KEUR 13,061)   | 14,212,376.20         | 13,918          |
| <b>12. Other interest and similar income</b><br>thereof from affiliated companies EUR 2,169,131.63<br>(previous year: KEUR 1,930)   | 3,000,469.46          | 2,455           |
| <b>13. Income from the disposal of and the appreciation to financial assets</b>   | 24,020,833.75         | 642             |
| <b>14. Expenses from financial assets and securities held as current assets</b><br>a. Depreciation EUR -14,594,545.11 (previous year: KEUR -302,483)<br>b. Expenses from affiliated companies EUR -14,600,019.12 (previous year: KEUR -299,034) | -16,033,964.67        | -307,586        |
| <b>15. Interest and similar expenses</b><br>thereof from affiliated companies EUR -326,500.55<br>(previous year: KEUR -372)   | -31,807,035.36        | -38,855         |
| <b>16. Subtotal of lines 10 to 15 (Financing result)</b>  | <b>218,868,706.08</b> | <b>-291,957</b> |
| <b>17. Earnings before tax (Subtotal of lines 9 and 16)</b>   | <b>182,721,530.47</b> | <b>-229,361</b> |
| <b>18. Taxes on Income</b><br>thereof tax apportionment EUR 4,069,132.34<br>(previous year: KEUR 4,866)<br>thereof deferred taxes EUR 0.00 (previous year: KEUR -3,644)   | 2,042,566.54          | 85              |
| <b>19. Increase in net assets through merger</b>  | 0.00                  | 627,687         |
| <b>20. Earnings after taxes = Net income of the year</b>  | <b>184,764,097.01</b> | <b>398,411</b>  |
| <b>21. Allocation to appropriated retained earnings from the merger</b>   | 0.00                  | -216,400        |
| <b>22. Profits carried forward from previous year</b>   | 217,552,707.68        | 57,541          |
| <b>23. Retained profits</b>   | <b>402,316,804.69</b> | <b>239,553</b>  |



# NOTES

for the 2019 fiscal year

## I. ACCOUNTING AND VALUATION PRINCIPLES

The accounting principles of the Austrian Commercial Code as amended have been applied to these financial statements as of December 31, 2019.

The annual accounts were prepared in compliance with the relevant requirements and generally accepted accounting principles to present a true and fair view, in all material respects, of the net asset and of the financial and earnings position of the company.

The principles of completeness and non-arbitrariness were applied. Valuation followed the principles of adequate and orderly accounting as well as the going concern assumption, and was based upon the valuation principles applied to last year's annual accounts, unless changes in the valuation principles are explicitly stated for individual items. Assets and liabilities were assessed individually as of the balance sheet date.

In accordance with the principle of prudence, only profits realized as of balance sheet date are shown, and all apparent risks and impending losses that incurred during the current period or in previous periods were considered.

The profit and loss account was prepared according to the total expenditure format. Items of the balance sheet or the profit and loss account showing a zero balance for the current and the previous period were not listed in accordance with Sec. 223 para 7 of the Austrian Commercial Code.

The intangible assets, only if acquired against payment, as well as the property, plant and equipment were stated at cost of acquisition or production less the scheduled depreciation corresponding to the expected useful life and less any potentially necessary extraordinary depreciation. Low-value assets with cost of acquisition of less than EUR 400.00 are fully depreciated in the year of acquisition or manufacture.

In principle, inventories were valued at acquisition or production cost. In the event of a lower fair value due to economic or technical impairments, such lower fair value was applied.

Receivables and other assets were stated at nominal value less necessary allowances, discounts for above-average time outstanding and a global valuation allowance of 2 % of the net receivables outstanding as of the balance sheet date. Foreign currencies were valued at the foreign exchange rate at the date of transaction or at the offered rate as of the balance sheet date, if lower.

In application of the principle of prudence, all identifiable risks and all liabilities of uncertain amount and/or origin were considered by setting up provisions according to reasonable commercial judgment.

Liabilities were valued at their settlement amount. Liabilities in foreign currency were valued at the foreign exchange rate offered at the balance sheet date or at a higher purchase rate at the date of transaction.

## II. EXPLANATIONS CONCERNING THE BALANCE SHEET

### ASSETS

#### A. Fixed Assets

##### 1. Intangible Assets and Property, Plant and Equipment

Fixed assets are stated at cost of acquisition or production less planned linear depreciation corresponding to the estimated useful life. Write-downs and write-ups are made if the corresponding conditions exist according to the provisions of Section 204 para. 2 and Section 208 para. 1 of the Austrian Commercial Code.

The development of each item in the fixed assets and the breakdown of the annual depreciation are shown in the fixed assets schedule attached as Supplement 1.

##### 1.1 Intangible Assets

Intangible assets are stated at acquisition cost less planned linear depreciation according to a useful life of 4 to 10 years.

The intangible assets can be broken down as follows:

|                    |             |               |
|--------------------|-------------|---------------|
| Rights             | KEUR        | 1,393         |
| Software           | KEUR        | 4,112         |
| Technical software | KEUR        | 3,375         |
| Advance payments   | KEUR        | 2,974         |
| <b>Total</b>       | <b>KEUR</b> | <b>11,854</b> |

There were no additions to rights in the 2019 fiscal year (previous year: KEUR 554).

Additions to software totaling KEUR 3,231 (previous year: KEUR 1,359) are primarily attributable to the launch of subareas of SAP as an ERP system amounting to KEUR 2,471.

Additions to technical software of KEUR 4,500 (previous year: KEUR 0) relate entirely to the source codes for a software system for lotteries from Next Generation Lotterie GmbH (formerly NOVOMATIC Lottery Solutions GmbH), which was an affiliated company at the time of acquisition.

The advance payments of KEUR 2,974 (previous year: KEUR 2,150) continue to relate to the current SAP project.

## 1.2 Property, Plant and Equipment

### Land, buildings and improvements to third-party buildings

The real estate value of undeveloped and developed land amounts to KEUR 34,679 (previous year: KEUR 35,125).

Land, buildings and improvements to third-party buildings are valued at cost less depreciation (spread over 10–50 years for buildings).

Additions (including transfers) to building values, investments in rental properties and buildings on non-owned land amounting to KEUR 812 (previous year: KEUR 1,633) mainly relate to conversion work at the Gumpoldskirchen site, the conversion of a rented warehouse in Guntramsdorf, and the acquisition of a building on third-party land in Vienna's 2nd district.

### Plant and machinery

This item breaks down as follows:

|                      |             |               |
|----------------------|-------------|---------------|
| Plant and machines   | KEUR        | 2,838         |
| Tools and tool costs | KEUR        | 2,910         |
| Gaming machines      | KEUR        | 7,727         |
| <b>Total</b>         | <b>KEUR</b> | <b>13,475</b> |

Machines, tools and gaming machines are valued at cost less depreciation (spread over 1 - 19 years for machines, 1 - 5 years for tools and 4 years for gaming machines).

Additions of KEUR 4,064 (previous year: KEUR 6,798) relate to own made gaming devices and betting terminals. Other acquisitions in the area of production machinery and tools (production forms) were to be capitalized in the amount of KEUR 214 (previous year: KEUR 1,614) or KEUR 2,202 (previous year: KEUR 1,732).

### Factory and office equipment

Factory and office equipment are valued at cost less depreciation (spread over 1 - 10 years).

Additions mainly relate to IT hardware, other office equipment amounting to KEUR 2,654 (previous year: KEUR 2,456) and fleet acquisitions of KEUR 3,172 (previous year: KEUR 2,824).

Low-value assets with a cost of acquisition of less than EUR 400.00 are fully depreciated in the year of acquisition or production.

## 2. Financial Assets

Financial assets are valued at their cost of acquisition.

Securities are valued at their cost of acquisition or at their lower market values as of the balance sheet date.

NOVOMATIC AG annually evaluates the value of shares in affiliated companies. Carrying amounts of domestic and foreign investments will be written down in case of:

- a persistent deterioration of earnings
- the necessity of support from the shareholder
- deficient means and measures as a result of the acquisition
- reorganization measures that will not result in substantial profits in the foreseeable future and represent deficiencies that cannot be eliminated anytime soon
- losses that can no longer be absorbed by the affiliated company alone.

Impairment is not made in cases of mere start-up losses.

If the grounds for an impairment made in the past disappear, an addition is to be made up to the amount of the original costs of acquisition.

Additions (including transfers) of KEUR 69,487 to shares in affiliated companies mainly due to acquisitions and capital increases of companies in Argentina, Australia, Germany, Austria, Spain, Serbia, Albania and Macedonia.

Impairment losses on shares in affiliated companies in the fiscal year amount to KEUR 13,000 and relate primarily to the following subsidiaries: HTL Montenegro (KEUR 7,764), NOVOMATIC Gaming Colombia S.A.S. (KEUR 2,000), Airoline GmbH (KEUR 1.287) and Albanisch Österreichische Lotterien Holding GmbH (KEUR 1,255).

Shares in affiliated companies are presented in detail under item IV. Information on significant investments.

Additions to loans granted to affiliated companies amount to KEUR 33,936 (previous year: KEUR 380,318). These relate in particular to long-term investments in subsidiaries in Germany and Spain. Disposals totaling KEUR 111,768 (previous year: KEUR 113,633) related in particular to repayments of German, Italian and English subsidiaries.

Additions to other loans amount to KEUR 4,124 (previous year: KEUR 717). This is largely a newly granted loan to a business partner in the Czech Republic amounting to KEUR 3,582. Disposals relate mainly to the timely repayment of two loans of KEUR 1,588.

Of loans granted to affiliated companies, an amount of KEUR 43,877 (previous year: KEUR 11,352) is due within one year.

Of the other loans, an amount of KEUR 1,460 (previous year: KEUR 1,761) is due within one year.

In order to diversify the investment portfolio, shares with a total value of KEUR 18,179 were acquired in the 2019 fiscal year. Furthermore, the reinsurance policy, which is intended to secure a pension benefit, was increased by KEUR 500.

## B. Current Assets

### 1. Inventories

Inventories were valued at acquisition costs in observance of the lowest value principle. In determining the production costs for finished goods, the directly allocated costs as well as the proportionate share in overhead costs were taken into account.

In the event of a lower fair value, an according adjustment was made. In particular slow sellers which have remained untouched for six months or more were depreciated by 30 to 100 %. For inventories with a stock level which makes an above-average term appear probable, an adjustment was made based on the principle of loss-free valuation. In addition to this, any decreased fair value was taken into account through lower cost prices.

### 2. Receivables and Other Assets

#### 2.1 Trade receivables

Trade receivables are stated at nominal value. In cases of apparent individual risk, the probable recoverable amount was recognized. In order to take the receivables' time outstanding into account, a discount was applied for maturities of more than two months.

For general credit risks, a global valuation allowance of 2 % of the outstanding and unsecured net receivables was applied.

This resulted in the following individual receivable amounts.

|   |             |               |
|---|-------------|---------------|
| Trade receivables towards third parties | KEUR        | 38,567        |
| Valuation allowances                    | KEUR        | -5,052        |
| Discount due to long maturity           | KEUR        | -494          |
| Global valuation allowance              | KEUR        | -326          |
| Foreign currency valuation              | KEUR        | -55           |
| <b>Carrying out as of 31/12/2019</b>    | <b>KEUR</b> | <b>32,640</b> |

#### 2.2 Receivables from Affiliated Companies

Receivables from affiliated companies in the amount of KEUR 164,330 (previous year: KEUR 316,755) relate, with KEUR 150,446, to trade receivables (previous year: KEUR 242,591).

#### 2.3 Other Receivables and Assets

Other receivables and assets amounting to KEUR 40,327 (previous year: KEUR 60,875) mainly concern a deposit related to precious metals amounting to KEUR 36,291 (previous year: KEUR 54,225) as well as credit balances with the tax authorities.

The maturities of the receivables and other assets are as follows:

|                                       | 12/31/2019 |                               |                                   | 12/31/2018 |                               |                                   |
|---------------------------------------|------------|-------------------------------|-----------------------------------|------------|-------------------------------|-----------------------------------|
|                                       | Total      | Residual term of up to 1 year | Residual term of more than 1 year | Total      | Residual term of up to 1 year | Residual term of more than 1 year |
|                                       | KEUR       | KEUR                          | KEUR                              | KEUR       | KEUR                          | KEUR                              |
| Trade receivables                     | 32,640     | 32,081                        | 559                               | 24,387     | 22,629                        | 1,758                             |
| Receivables from Affiliated Companies | 164,330    | 161,620                       | 2,710                             | 316,755    | 305,247                       | 11,508                            |
| Other Receivables and Assets          | 40,327     | 40,293                        | 34                                | 60,875     | 60,841                        | 34                                |

Other receivables and assets do not contain any material income that will only become cash-effective after the balance sheet date.

### C. Prepaid Expenses

The prepaid expenses amounting to KEUR 8,905 (previous year: KEUR 9,932) consist of capitalized discounts and expenditures pertaining to 2020 and the following years.

### D. Deferred Tax Assets

Deferred tax assets are reported using the balance sheet liability method for all temporary differences between the tax valuation amounts of assets and liabilities and the book values in the individual financial statement, to the extent that positive tax results can be expected in the future.

The income tax rate underlying the calculation of deferred taxes is 25 % (previous year: 25 %).

Since a tax relief due to reversal of the above-mentioned temporary differences in the foreseeable future cannot be reliably predicted at the balance sheet date, the deferred tax assets in the amount of KEUR 59,277 (previous year: KEUR 72,227) are not formed as a precautionary measure. The composition of deferred taxes is shown in the following table.

As the Group parent, NOVOMATIC AG has tax losses of KEUR 280,750 (previous year: KEUR 210,481), for which no deferred tax assets were recognized.

The non-capitalized deferred tax assets resulting from differences in the amounts reported in the individual financial statement and their respective tax bases are as follows:

| "+ " = deferred tax asset<br>"- " = deferred tax liability | Difference<br>Current financial year | Deferred taxes<br>Current financial year | Deferred taxes<br>Previous year | Change<br>Deferred taxes |
|--|--------------------------------------|--|---------------------------------|--------------------------|
|  | KEUR                                 | KEUR                                     | KEUR                            | KEUR                     |
| Property, plant and equipment                              | 10,290                               | 2,573                                    | 2,564                           | 9                        |
| Investments in affiliated companies                        | 205,736                              | 51,434                                   | 62,271                          | -10,837                  |
| Investments  | 68                                   | 17                                       | 527                             | -510                     |
| Receivables and Other Assets                               | 326                                  | 82                                       | 52                              | 30                       |
| Prepaid expenses   | 4,853                                | 1,213                                    | 1,517                           | -304                     |
| Provisions   | 15,833                               | 3,958                                    | 5,307                           | -1,349                   |
| Untaxed reserves   | 0                                    | 0  | -11                             | 11                       |
| <b>Total for 2019<br/>balance = deferred tax assets</b>    | <b>237,106</b>                       | <b>59,277</b>                            | <b>72,227</b>                   | <b>-12,950</b>           |

## EQUITY AND LIABILITIES

### A. Shareholders' Equity

The share capital of the company amounts to KEUR 26,590 in the 2019 fiscal year (previous year: KEUR 26,590).

The tied-up capital reserves of KEUR 85,386, statutory legal reserves of KEUR 1,624 and free reserves of KEUR 15 remained unchanged compared to the previous year.

As part of the merger with NOVOMATIC Gaming Industries GmbH in 2018, NOVOMATIC AG undertook to form a voluntarily tied-up reserve of KEUR 216,400 from the resulting merger gain in order to avoid a capital-blocking effect. This amount is subject to a payout block of 60 months after registration of the merger. This was completed on October 5, 2018.

At the Annual General Meeting March 26, 2019, a disbursement of KEUR 22,000 from the balance sheet profit was approved and subsequently paid to the shareholders.

### B. Provisions

In compliance with the principle of prudence, all identifiable risks and liabilities of an uncertain amount and/or origin at the balance sheet date were accounted for by setting up provisions according to reasonable commercial judgment.

The provisions for severance payments were calculated applying actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 1.07 % (previous year: 1.97 %) and assuming a pay increase of 2.5 % (previous year: 2.5 %). The minimum legal retirement age according to ASVG regulations was assumed. Discounts due to fluctuations or other circumstances were not included. Expenses for severance payments and contributions to external severance payments funds contained an expense from the change to the provision amounting to KEUR 774 (previous year: income KEUR 640).

Due to irrevocable pension commitments, a pension provision was formed. The calculation was based on actuarial principles in accordance with IAS 19 using the projected unit credit method. The payout phase will commence from the 2020 fiscal year as per the pension commitments. The option to settle the capital amount was exercised. The amount of the pension provision as of December 31, 2019 was accordingly adjusted to KEUR 4,457, resulted in income of KEUR 3,609 in the fiscal year (previous year: expense of KEUR 765).

The provisions for taxes on income mainly related to provisions from previous periods.

Other provisions mainly relate to provisions for impending losses as a provision for the future liquidity requirements of Lotaria Kombetare Sh.p.k. amounting to KEUR 1,850 (previous year: KEUR 2,000). Other provisions include audit and consulting costs, costs for preparing annual reports, provisions for legal disputes, guarantees, discounts in kind, commission provisions, unconsumed vacation for employees and for jubilee payments.

The reversal of other provisions of KEUR 11,371 relates to provisions for impending losses of subsidiaries formed in previous years amounting to KEUR 10,803, which are shown in the financial result.

The provisions for jubilee payments were calculated applying actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 1.07 % (previous year: 1.97 %) and assuming a pay increase of 2.5 % (previous year: 2.5 %). A fluctuation discount based on an internal statistic concerning withdrawals of the previous 3 years and considering probable individual continuance in the company until the jubilee payment is due was taken into account.

The provision for unused vacation is calculated under the assumption of a divider of 18 working days per month.

We refer to the enclosed Supplement 2 showing the development of provisions.



## C. Liabilities

### Maturity:

| KEUR                                  | Total amount of Liabilities         |                                      |                                      |
|---------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
|                                       | with a maturity of less than 1 year | with a residual term of 1 to 5 years | with a residual term of over 5 years |
| <b>Bond</b>                           | <b>0</b>                            | <b>700,000</b>                       | <b>0</b>                             |
| (previous year)                       | 250,000                             | 700,000                              | 0                                    |
| <b>Due to banks</b>                   | <b>298,477</b>                      | <b>405,443</b>                       | <b>91,455</b>                        |
| (previous year)                       | 28,380                              | 684,966                              | 148,909                              |
| <b>Prepayments on orders received</b> | <b>568</b>                          | <b>0</b>                             | <b>0</b>                             |
| (previous year)                       | 67                                  | 0                                    | 0                                    |
| <b>Trade payables</b>                 | <b>13,527</b>                       | <b>0</b>                             | <b>0</b>                             |
| (previous year)                       | 23,268                              | 0                                    | 0                                    |
| <b>Due to affiliated companies</b>    | <b>191,424</b>                      | <b>0</b>                             | <b>0</b>                             |
| (previous year)                       | 210,079                             | 14,032                               | 0                                    |
| <b>Other liabilities</b>              | <b>10,406</b>                       | <b>1,014</b>                         | <b>0</b>                             |
| (previous year)                       | 19,453                              | 481                                  | 0                                    |

In 2013 to 2015 and 2016, bonds with a total value of KEUR 950,000 were issued to support further growth in the areas of development, production and gaming operations. The bond issued in 2013 with a volume of KEUR 250,000 was repaid on time on January 28, 2019.

Liabilities to affiliated companies include trade payables of KEUR 10,076 (previous year: KEUR 18,357) and other liabilities of KEUR 181,348 (previous year: KEUR 205,754). Other liabilities primarily relate to KEUR 120,083 (previous year: KEUR 190,205) from the cash pooling agreements concluded in 2013 and short-term loans of KEUR 61,024 (previous year: KEUR 14,834) with domestic and foreign subsidiaries.

Other liabilities include expenses in the amount of KEUR 5,675 (previous year: KEUR 14,950) that will become only cash-effective after the balance sheet date.

## D. Contingent Liabilities, Other Contingent Liabilities, and Physical Securities

At the balance sheet date, there are contingent liabilities amounting to KEUR 57,497 (previous year: KEUR 71,963), of which KEUR 55,497 (previous year: KEUR 71,963) concerns affiliated companies.

Contingent liabilities comprise comfort letters or guarantees for bank loans for affiliated companies, and are composed as follows:

### a) Contingent liabilities

| Bank                             | Beneficiary company  | Security       | Ceiling<br>KEUR | As of 12/31/19<br>KEUR |
|----------------------------------|--|----------------|-----------------|------------------------|
| UniCredit Bank Austria AG Vienna | HTM Hotel- und Tourismus Management GmbH                                   | Comfort letter | 9,000           | 9,000                  |
| Raiffeisenlandesbank OOE         | ADMIRAL Casinos & Entertainment AG   | Comfort letter | 581             | 581                    |
| Erste Group Bank AG              | ADMIRAL Casinos & Entertainment AG   | Guarantee      | 3,153           | 3,153                  |
| Hypo Bank Burgenland             | ADMIRAL Casinos & Entertainment AG   | Guarantee      | 176             | 176                    |
| UniCredit Bank Austria AG Vienna | Novo Gaming M Technologies GmbH  | Guarantee      | 500             | 500                    |
| Hypo Bank Burgenland             | ADMIRAL Sportwetten GmbH   | Guarantee      | 12,000          | 12,000                 |
| Raiffeisenbank NOE-Wien          | ADMIRAL Sportwetten GmbH   | Comfort letter | 1,500           | 0                      |
| LBBW, DE                         | ADMIRAL Entertainment GmbH, DE   | Comfort letter | 3,000           | 3,000                  |
| UniCredit Bank Austria AG Vienna | NOVOMATIC Gaming Spain S.A.  | Guarantee      | 1,000           | 1,000                  |
| UniCredit Bank Austria AG Vienna | NOVOMATIC Gaming Spain S.A.  | Guarantee      | 500             | 500                    |
| UniCredit Bank Austria AG Vienna | ADMIRAL Gaming Andalucia S.A.  | Guarantee      | 500             | 500                    |
| UniCredit Bank Austria AG Vienna | ADMIRAL Slots S.A.   | Guarantee      | 500             | 500                    |
| Raiffeisenbank SHA Albania       | Lotaria Kombetare Sh.p.k.  | Guarantee      | 164             | 164                    |
| Erste Bank, Novi Sad             | Millenium Bet d.o.o.   | Comfort letter | 870             | 870                    |
| UniCredit Bank Austria AG Vienna | RSA Gaming d.o.o.  | Guarantee      | 128             | 128                    |
| Credit Tiriac SA                 | BetMaster Srl, Alea Leisure Srl, Admiral Leisure Srl, Intertop Leisure Srl | Guarantee      | 247             | 247                    |
| UniCredit Bank Austria AG Vienna | Admira d.o.o.  | Guarantee      | 510             | 510                    |
| Erste Group Bank AG              | Next Generation Lotteries GmbH (vormals NOVOMATIC Lottery Solutions GmbH)  | Guarantee      | 2,000           | 2,000                  |
| Erste Bank AD Podgorica          | MNA Gaming d.o.o.  | Comfort letter | 200             | 200                    |
| Erste Bank AD Podgorica          | HTL Montenegro d.o.o.  | Comfort letter | 50              | 50                     |
| Sparkasse Makedonija             | MA Gaming DOOEL  | Guarantee      | 505             | 505                    |
| Sparkasse Makedonija             | Makoten DOOEL  | Guarantee      | 326             | 326                    |
| Sparkasse Makedonija             | Masterbet DOOEL  | Guarantee      | 505             | 505                    |
| Recreatieprojecten Zeeland BV    | NOVOMATIC Exploitatie NL III B.V.  | Comfort letter | 342             | 342                    |
| Barclays Bank PLC                | NOVOMATIC UK Ltd.  | Comfort letter | 17,718          | 17,718                 |

| Bank                                 | Beneficiary company              | Security       | Ceiling       | As of 12/31/19 |
|--------------------------------------|----------------------------------|----------------|---------------|----------------|
|                                      |                                  |                | KEUR          | KEUR           |
| LBBW, DE                             | Casino Royal GmbH, DE            | Comfort letter | 1,200         | 1,200          |
| UniCredit Bank Austria AG,<br>Munich | Casino Royal GmbH, DE            | Guarantee      | 1,300         | 1,300          |
| UniCredit Bank Austria AG            | Novo Investment Bulgaria<br>EOOD | Guarantee      | 522           | 522            |
| <b>TOTAL</b>                         |                                  |                | <b>58,997</b> | <b>57,497</b>  |

**b) Other contingent liabilities**

NOVOMATIC AG has issued comfort letters in favor of the following subsidiaries:

Novo VLTech Solutions S.R.L., Romania  
Lotaria Kombetare Sh.p.k., Albania

**c) Information regarding the nature of provided physical securities:**

No physical securities were provided for liabilities in the 2019 fiscal year.

## E. Other Financial Obligations

Obligations from current lease contracts comprise:

| KEUR                                     | Due within the following fiscal year | Due within the next five fiscal years |
|--|--------------------------------------|---------------------------------------|
| Obligations from current lease contracts | 4,428                                | 17,863                                |
| (in the previous year)                   | 3,519                                | 17,589                                |
| of which to affiliated companies         | 2,742                                | 9,444                                 |
| (in the previous year)                   | 1,667                                | 6,072                                 |

## III. EXPLANATIONS CONCERNING THE PROFIT AND LOSS ACCOUNT

### 1. Breakdown of Sales

1.1. by segments:

| KEUR  | Year under review | Previous year  |
|---|-------------------|----------------|
| Income from trademarks and licenses             | 61,589            | 112,915        |
| Income from production                          | 240,002           | 368,125        |
| Equipment rental                                | 32,985            | 29,874         |
| Provision of personnel                          | 3,631             | 3,740          |
| Repairs, service                                | 4,922             | 3,829          |
| Other income (incl. rental and operating costs) | 18,247            | 16,008         |
| Sales reductions                                | -202              | -141           |
| <b>Total</b>                                    | <b>361,174</b>    | <b>534,350</b> |

1.2. by geographical markets:

| KEUR                      | Year under review | Previous year  |
|---------------------------|-------------------|----------------|
| Domestic income           | 64,597            | 104,793        |
| International income (EU) | 202,279           | 345,495        |
| Third-country income      | 94,298            | 84,062         |
| <b>Total</b>              | <b>361,174</b>    | <b>534,350</b> |

### 2. Personnel costs

Expenses for severance payments and contributions to external severance payment funds include payments to external severance payment funds amounting to KEUR 867 (previous year: KEUR 871).

### 3. Other operating expenses

Other operating expenses mainly comprise:

| KEUR                                    | 2019   | 2018   |
|---|--------|--------|
| Rental expenses                         | 4,336  | 3,469  |
| License fees                            | 4,909  | 4,604  |
| Valuation allowances for current assets | 9,336  | 13,054 |
| Legal and consulting fees               | 11,154 | 10,637 |
| Other services received                 | 8,800  | 8,673  |
| Advertising costs                       | 14,942 | 14,578 |

### 4. Investment income

Income from investments of KEUR 225,476 (previous year: KEUR 37,470) primarily includes profit distributions from Albania, England, Italy, Poland, Hungary and Latvia.

### 5. Expenses from financial assets and securities held as current assets

These relate primarily to write-downs on shares in affiliated companies. See notes on item 2 Financial Assets.

### 6. Taxes on Income

NOVOMATIC AG has taken the opportunity of forming a tax group pursuant to Sec. 9 of the Austrian Corporate Income Tax Act (KStG).

Group members are:

- HTM Hotel- und Tourismus Management GmbH, Austria
- ADMIRAL Casinos & Entertainment AG, Austria
- NMN Immo GmbH, Austria
- ADMIRAL Sportwetten GmbH, Austria
- Novo VLTech GmbH, Austria
- NOVOMATIC Italia S.p.A., Italy

In the tax apportionment contract with the domestic tax group members, negative as well as positive tax apportionments within the tax group were stipulated. The profits allocated by the tax group member to the parent company are, depending on the usability of the losses, to be compensated at 21.5 % or 25 % (tax rate pursuant to Sec. 22 para 1 of the Austrian Corporate Income Tax Act [KStG]) by the tax group member. A symmetrical agreement exists for the allocated losses, whereby losses that cannot be allocated are to be credited as „internal tax loss carried forward“ at 21.5 % of the assessment basis if they are usable.

No tax apportionment contracts were concluded with the foreign group members.

Taxes on income are broken down specifically as follows:

|   | KEUR          |
|---|---------------|
| Corporate income tax expense in 2019                        | 14            |
| Corporate income tax expense in previous years              | 1,546         |
| Foreign withholding tax expense                             | 465           |
| Corporate income tax expense, abroad                        | 1             |
| Income from tax apportionment „tax group“ in previous years | -1,247        |
| Income from tax apportionment „tax group“                   | -2,822        |
| <b>Total</b>  | <b>-2,043</b> |

#### IV. INFORMATION ON SIGNIFICANT INVESTMENTS

| Company, domicile   | Share   | Carrying amount as | Equity  | Annual result |
|---|---------|--------------------|---------|---------------|
|   |         | of 12/31/2019      | KEUR    | KEUR          |
| ADMIRAL Casinos & Entertainment AG, Austria               | 100 %   | 35,100             | 35,717  | 9,891         |
| ADMIRAL Sportwetten GmbH, Austria                         | 100 %   | 19,612             | 28,871  | 16,486        |
| Admiralu Klubs SIA, Latvia                                | 60 %    | 22,736             | 19,293  | 5,776         |
| Ainsworth Game Technology Ltd., Australia                 | 52.9 %  | 145,719            | 243,895 | -3,256        |
| Airoline GmbH, Austria                                    | 100 %   | 6,188              | 5,112   | -1,593        |
| Albanisch Österreichische Lotterien Holding GmbH, Austria | 100 %   | 0                  | 62      | -1,257        |
| Alfor SIA, Latvia   | 60 %    | 2,836              | 50,436  | 21,183        |
| ATT S.A., Poland  | 100 %   | 51,480             | 17,541  | 9,250         |
| Azarto Technika UAB, Lithuania                            | 80 %    | 1,650              | 1,741   | 561           |
| Casino Royal GmbH, Germany                                | 100 %   | 67,560             | 31,452  | 847           |
| celix Solutions GmbH, Austria                             | 80 %    | 235                | 585     | 193           |
| Crown Gaming Mexico S.A. de C.V., Mexico                  | 100 %   | 12,266             | 4,908   | -1,292        |
| Crown Gaming Services Mexico S. d. R.L. de C.V., Mexico   | 80 %    | 13                 | 52      | 12            |
| Eagle Investment Sh.A., Albania                           | 100 %   | 600                | 7,277   | 821           |
| Estrada Polska Sp.z.o.o., Poland                          | 100 %   | 4,467              | 3,372   | -4            |
| Giochi San Marino S.p.A., San Marino                      | 93 %    | 7,218              | 8,863   | -208          |
| Greentube Internet Entertainment, Austria                 | 100 %   | 26,673             | 54,767  | 9,430         |
| HTL d.o.o. Sarajevo, Bosnia and Herzegovina               | 100 %   | 3,630              | 14,455  | 1,568         |
| HTL Macedonia DOOEL, Macedonia                            | 100 %   | 27,378             | 26,981  | 563           |
| HTL Montenegro d.o.o., Montenegro                         | 100 %   | 739                | 6,854   | -250          |
| HTL Ukraine TOV, Ukraine                                  | 100 %   | 426                | 162     | -83           |
| HTM Hotel- und Tourismus Management GmbH, Austria         | 100 %   | 1,073              | 47,010  | -2,582        |
| Interinvest Holding SAL, Lebanon                          | 95 %    | 137                | n.A.    | n.A.          |
| LÖWEN ENTERTAINMENT GmbH, Germany                         | 100 %   | 0                  | *)      | *)            |
| LTB Beteiligungs GmbH, Austria                            | 33.33 % | 23,938             | 10,937  | 10,386        |
| Makoten DOOEL, Macedonia                                  | 100 %   | 42,434             | 29,682  | -2,794        |

| Company, domicile   | Share  | Carrying amount as | Equity  | Annual result |
|---|--------|--------------------|---------|---------------|
|   |        | of 12/31/2019      | KEUR    | KEUR          |
|   |        | KEUR               | KEUR    | KEUR          |
| NMI Invest GmbH, Austria  | 100 %  | 1,000              | 981     | -4            |
| NMN Immo GmbH, Austria  | 100 %  | 618                | 517     | -42           |
| Norddeutsche Spielbanken GmbH, Germany  | 100 %  | 25                 | n.A.    | n.A.          |
| Novo Gaming M Technologies GmbH, Austria  | 100 %  | 2,753              | 5,772   | 225           |
| Novo Immobilien GmbH, Germany   | 100 %  | 7,990              | 31,977  | 2,928         |
| Novo Investment Bulgaria EOOD, Bulgaria   | 100 %  | 31,040             | 27,388  | 468           |
| Novo Investment d.o.o., Belgrade, Serbia  | 100 %  | 36,190             | 42,830  | 3,019         |
| Novo Investment RO SRL, Romania   | 99.8 % | 57,786             | 36,875  | 4,690         |
| NOVO RS d.o.o., BiH   | 100 %  | 8,962              | 9,873   | 365           |
| Novo VLTech GmbH, Austria   | 100 %  | 10,100             | 9,695   | 6,316         |
| Novo VLTech Solutions SRL, Romania  | 0.01 % | 0                  | 5,300   | 4,958         |
| Novochile Ltda., Chile  | 99 %   | 88                 | 68      | -127          |
| Novogaming Vilnius UAB, Lithuania   | 80 %   | 2,484              | 1,367   | -915          |
| NOVOMATIC Africa (PTY) Ltd., South Africa   | 100 %  | 5,956              | 22,052  | 2,144         |
| NOVOMATIC Americas Holdings Inc., Florida, USA                                    | 100 %  | 21,385             | 28,802  | -127          |
| NOVOMATIC Argentina S.R.L., Argentina   | 90 %   | 892                | -554    | -1,736        |
| NOVOMATIC Gaming Colombia S.A.S., Colombia  | 100 %  | 4,908              | 8,066   | 308           |
| NOVOMATIC Gaming Spain S.A., Spain  | 100 %  | 56,857             | 93,869  | -16,107       |
| NOVOMATIC Hungaria Kft., Hungary  | 100 %  | 24,098             | 20,439  | 1,721         |
| NOVOMATIC Investment Chile S.A., Chile  | 100 %  | 1,344              | 2,726   | -129          |
| NOVOMATIC Italia SpA, Italy   | 100 %  | 376,109            | 277,704 | -1,262        |
| NOVOMATIC Latin-American Holding S.L.U, Spain                                     | 100 %  | 1,828              | 3,081   | 253           |
| NOVOMATIC Netherlands B.V., Netherlands   | 100 %  | 40,471             | 36,604  | 476           |
| NOVOMATIC Peru S.A.C., Peru   | 100 %  | 6,650              | 38,679  | -24           |
| NOVOMATIC Tanzania Ltd.   | 80 %   | 85                 | n.A.    | n.A.          |
| NOVOMATIC Technologies RS d.o.o., Serbia  | 100 %  | 200                | 285     | 85            |
| NOVOMATIC Services FRA SAS, France  | 100 %  | 1,354              | 1,622   | 985           |
| NOVOMATIC Spielbanken Holding Deutschland GmbH & Co.KG, Germany                   | 100 %  | 19,708             | 23,071  | 5,215         |
| NOVOMATIC Sports Betting Solutions GmbH, Austria                                  | 100 %  | 1,000              | 661     | -22           |
| NOVOMATIC Technologies Poland S.A., Poland  | 48.8 % | 22,688             | 16,485  | 4,294         |
| NOVOMATIC UK Ltd., United Kingdom   | 100 %  | 194,227            | 217,199 | 57,859        |
| Octavian de Argentina S.A., Argentina   | 90 %   | 743                | 665     | 206           |
| Octavian Game Art OOO, Russia   | 99.9 % | 2,957              | 2,520   | 765           |
| Octavian SPb OOO, Russia  | 99.2 % | 890                | 1,315   | -47           |
| Pratergarage Errichtungs- und Betriebsgesellschaft m.b.H., Vienna, Austria        | 47.5 % | 238                | 727     | 203           |
| RSV Beteiligungs GmbH, Austria  | 100 %  | 72,331             | 10,937  | 10,407        |
| SIM Spielbanken Investitions- und Management GmbH, Germany                        | 100 %  | 26                 | 61      | 0             |
| SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & Co.KG, Germany | 100 %  | 2,264              | 2,203   | -43           |
| Spielbank Berlin Entertainment GmbH & Co.KG, Germany                              | 60 %   | 49                 | -2,412  | 166           |

| Company, domicile                    | Share | Carrying amount as<br>of 12/31/2019 | Equity | Annual result |
|--------------------------------------|-------|-------------------------------------|--------|---------------|
|                                      |       | KEUR                                | KEUR   | KEUR          |
| Trust company 1, Austria*)           | 60 %  | 507                                 | 479    | -153          |
| Trust company 16, Austria*)          | 100 % | 40                                  | n.A.   | n.A.          |
| United Gaming Industries OOO, Russia | 100 % | 2,050                               | 4,096  | -356          |

Section 242 para. 2 of the Austrian Commercial Code (UGB) applies to individual subsidiaries (see \*) above)

The equity and annual results presented are preliminary values determined in accordance with applicable local law.

Relationships to affiliated companies mainly comprise services rendered or procured for branding and licensing rights, the sale and rental of gaming facilities, expenses for the provision of personnel for administrative departments, cash pooling/financing, development services, and real estate rental.

## V. INFORMATION ON FINANCIAL INSTRUMENTS

On October 16, 2015, an interest rate swap with a nominal value of KEUR 77,500 and maturity date of October 8, 2020, was concluded. Its fair value amounts to minus KEUR 295 as of December 31, 2019.

The fair value corresponds to the value which would be received or paid if the contract were settled as of the balance sheet date. Past cash flows (interest payments) are not taken into consideration. Future cash flows from variable payments as well as discount rates are determined based on generally accepted financial mathematical models. The negative fair values are recorded in the other provisions for impending losses.



## VI. MANDATORY INFORMATION CONCERNING MANAGEMENT BODIES AND EMPLOYEES

### 1.1. Average Number of Employees during the Financial Year

|                     | 2019 | 2018 |
|---------------------|------|------|
| Number of employees | 962  | 943  |
| Number of workers   | 275  | 274  |

### 1.2. Members of the Executive Board and the Supervisory Board during the Financial Year

Members of the Executive Board:

- Harald Neumann (CEO until February 29, 2020)
- Ryszard Presch (COO)
- Johannes Gratzl (CFO from September 5, 2019)
- Dr. Christian Widhalm (CIO, Deputy CEO until August 31, 2019)
- Peter Stein (CFO until August 31, 2019)
- Thomas Graf (CTO until August 31, 2019)
- Bartholomäus Czapkiewicz (CSO until August 31, 2019)

Supervisory Board:

- Dr. Bernd Oswald (Chairman)
- Martina Flitsch (Deputy Chairwoman)
- Dr. Robert Hofians (member)
- Martina Kurz (member until September 5, 2019)
- Barbara Feldmann (member until September 5, 2019)

### 1.3. Other Information

During the 2019 fiscal year, gross payments of KEUR 2,794 (previous year: KEUR 3,836) and payments from affiliated companies of KEUR 320 (previous year: KEUR 350) were made to the members of the Executive Board. No advances or guarantees were granted to members of the Executive Board. Loans to members of the Executive Board amounted to KEUR 0 (previous year: KEUR 374). Payments made to members of the Supervisory Board during the year under review amounted to KEUR 286 (previous year: KEUR 308). Expenses for severance payments and pensions for the members of the Executive Board amounted to KEUR -286 (previous year: KEUR -699) and KEUR -3,821 (previous year: KEUR 725), respectively.

### 1.4 Consolidated Financial Statement

NOVOMATIC AG is required by law to prepare and disclose a subgroup consolidated financial statement according to Sec. 246 para 3 of the Austrian Commercial Code (UGB). The financial statement for the subgroup NOVOMATIC AG are included in the consolidated financial statement of Novo Invest GmbH with its registered office in Gumpoldskirchen – as head of the Group – and are filed at the Regional Court of Wiener Neustadt under FN 381832v.

## 1.5 Audit Fees

Fees for the audit of the financial statement and expenses for other services of the auditor are presented in the subgroup consolidated financial statement of NOVOMATIC AG.

## 1.6 Appropriation of Earnings

An amount totaling KEUR 50,000 is to be appropriated from the balance sheet profit of KEUR 402,317 comprising the profit of the 2019 fiscal year amounting to KEUR 184,764 and profit carried forward of KEUR 217,553. The remaining amount of KEUR 352,317 is to be carried forward.

## 1.7 Subsequent Events after the Balance Sheet Date

On December 10, 2019, NOVOMATIC AG concluded an agreement on the sale of its 17.19 % stake in CASAG with the SAZKA Group, subject to certain conditions precedent, including obtaining official approval and the applicable rights of other CASAG shareholders.

The shares in two smaller subsidiaries were sold in February 2020.

In the wake of the coronavirus crisis that broke out in the first quarter of 2020, the Group faces a whole host of challenges and restrictions in many countries due to various restrictions being imposed. The Gaming Operations segment is directly affected by the temporary closure of gaming facilities and the Gaming Technology segment by the reduction in the production of machines. In March 2020, around 75.0 % of the gaming facilities in the European countries in which the Group operates were temporarily closed.

It is not yet possible to assess the extent of the impact of the coronavirus on the 2020 Financial Statement. The forecasts in place for global economic growth are subject to the proviso that the actual impact of the coronavirus on the economy in 2020 cannot yet be estimated. The key factor here will ultimately be the length of supply chain delays for gaming machine production caused by the virus along with the temporary closures of slot arcades and casinos. As things look today, however, it is likely that the Group's net assets, financial and earnings position will be negatively affected by the coronavirus crisis.

## VII. SPECIAL INFORMATION FOR STOCK CORPORATIONS

The share capital of EUR 26,590,000.00 is fully paid up and is divided into 26,590,000 registered no-par value shares. The nominal value per share amounts to EUR 1.00.

Gumpoldskirchen, March 23, 2020

NOVOMATIC AG



Ryszard Presch

Member of the Executive Board



Johannes Gratzl

Member of the Executive Board

# NOVOMATIC AG

# SCHEDULE OF FIXED ASSETS

as of December 31, 2019

| EUR  | Development at cost of acquisition and production |                       |               |                        | Balance as of<br>12/31/19 |
|--|---|-----------------------|---------------|------------------------|---------------------------|
|  | Balance as of<br>12/31/18                         | Additions             | Transfers     | Disposals              |                           |
| <b>A. FIXED ASSETS</b>                                       |   |                       |               |                        |                           |
| <b>I. Intangible assets</b>                                  |   |                       |               |                        |                           |
| 1. Concessions and industrial property rights                | 16,648,236.46                                     | 0.00                  | 0.00          | 0.00                   | 16,648,236.46             |
| Technical software   | 125,540,100.36                                    | 4,500,000.00          | 0.00          | 0.00                   | 130,040,100.36            |
| Software   | 13,764,040.17                                     | 759,785.75            | 2,470,959.68  | 0.00                   | 16,994,785.60             |
| 2. Goodwill  | 0.00  | 0.00                  | 0.00          | 0.00                   | 0.00                      |
| 3. Advance payments  | 2,149,014.14                                      | 3,296,122.57          | -2,470,959.68 | 0.00                   | 2,974,177.03              |
|  | 158,101,391.13                                    | 8,555,908.32          | 0.00          | 0.00                   | 166,657,299.45            |
| <b>II. Property, plant and equipment</b>                     |   |                       |               |                        |                           |
| 1. Land, buildings and improvements to third-party buildings | 9,293,159.41                                      | 0.00                  | 0.00          | 0.00                   | 9,293,159.41              |
| Buildings – real estate value                                | 31,310,480.14                                     | 0.00                  | 0.00          | -222,652.00            | 31,087,828.14             |
| Buildings – value of building                                | 138,450,099.26                                    | 244,762.03            | 174,907.29    | -1,097,419.44          | 137,772,349.14            |
| Structural investments in leased property                    | 2,955,883.29                                      | 199,150.00            | 0.00          | 0.00                   | 3,155,033.29              |
| Buildings on non-owned land                                  | 24,779,267.77                                     | 193,510.00            | 0.00          | -568,000.10            | 24,404,777.67             |
|  | 206,788,889.87                                    | 637,422.03            | 174,907.29    | -1,888,071.54          | 205,713,147.65            |
| 2. Plant and machinery                                       |   |                       |               |                        |                           |
| Plant and machinery  | 16,182,085.11                                     | 214,111.94            | 0.00          | -166,260.80            | 16,229,936.25             |
| Gaming machines  | 32,878,802.47                                     | 4,063,663.31          | 0.00          | -3,458,342.61          | 33,484,123.17             |
| Tools and tool costs   | 21,049,023.81                                     | 1,873,359.67          | 328,923.67    | -45,104.01             | 23,206,203.14             |
|  | 70,109,911.39                                     | 6,151,134.92          | 328,923.67    | -3,669,707.42          | 72,920,262.56             |
| 3. Factory and office equipment                              |   |                       |               |                        |                           |
| Factory and office equipment                                 | 43,615,953.71                                     | 2,653,709.07          | 0.00          | -158,291.90            | 46,111,370.88             |
| Aircraft   | 0.00  | 0.00                  | 0.00          | 0.00                   | 0.00                      |
| Ships  | 0.00  | 0.00                  | 0.00          | 0.00                   | 0.00                      |
| Car pool   | 15,903,557.77                                     | 3,071,708.92          | 100,668.01    | -4,238,560.79          | 14,837,373.91             |
| Low-value assets   | 363,681.67  | 283,286.43            | 0.00          | -646,968.10            | 0.00                      |
|  | 59,883,193.15                                     | 6,008,704.42          | 100,668.01    | -5,043,820.79          | 60,948,744.79             |
| 4. Prepayments and tangible assets in course of construction |   |                       |               |                        |                           |
| Prepayments  | 102,088.97  | 316,351.36            | -418,440.33   | 0.00                   | 0.00                      |
| Tangible assets in course of construction                    | 6,466,240.48                                      | 9,990.00              | -186,058.64   | 0.00                   | 6,290,171.84              |
|  | 6,568,329.45                                      | 326,341.36            | -604,498.97   | 0.00                   | 6,290,171.84              |
|  | 343,350,323.86                                    | 13,123,602.73         | 0.00          | -10,601,599.75         | 345,872,326.84            |
| <b>III. Financial assets</b>                                 |   |                       |               |                        |                           |
| 1. Shares in affiliated companies                            | 1,999,854,892.28                                  | 69,487,250.72         | 0.00          | -171,038,941.96        | 1,898,303,201.04          |
| 2. Loans to affiliated companies                             | 381,653,148.83                                    | 33,936,487.97         | 0.00          | -111,768,379.77        | 303,821,257.03            |
| 3. Investments   | 24,412,944.55                                     | 0.00                  | 0.00          | 0.00                   | 24,412,944.55             |
| 4. Loans to associated companies                             | 889,312.06  | 66,717.17             | 0.00          | -256,029.23            | 700,000.00                |
| 5. Securities  | 94,273,038.46                                     | 18,679,702.91         | 0.00          | -4,454,378.50          | 108,498,362.87            |
| 6. Other loans   | 19,183,311.85                                     | 4,124,147.44          | 0.00          | -1,626,621.87          | 21,680,837.42             |
|  | 2,520,266,648.03                                  | 126,294,306.21        | 0.00          | -289,144,351.33        | 2,357,416,602.91          |
| <b>TOTAL FIXED ASSETS</b>                                    | <b>3,021,718,363.02</b>                           | <b>147,973,817.26</b> | <b>0.00</b>   | <b>-299,745,951.08</b> | <b>2,869,946,229.20</b>   |

| Development of Amortization/Depreciation |                       |                       |                      |                           | Book values               |                           |  |
|--|-----------------------|-----------------------|----------------------|---------------------------|---------------------------|---------------------------|--|
| Balance as of<br>12/31/18                | Additions             | Disposals             | Write-ups            | Balance as of<br>12/31/19 | Balance as of<br>12/31/18 | Balance as of<br>12/31/19 |  |
| -15,101,064.23                           | -154,207.12           | 0.00                  | 0.00                 | -15,255,271.35            | 1,547,172.23              | 1,392,965.11              |  |
| -125,540,100.36                          | -1,125,000.00         | 0.00                  | 0.00                 | -126,665,100.36           | 0.00                      | 3,375,000.00              |  |
| -11,558,195.12                           | -1,324,792.96         | 0.00                  | 0.00                 | -12,882,988.08            | 2,205,845.05              | 4,111,797.52              |  |
| 0.00                                     | 0.00                  | 0.00                  | 0.00                 | 0.00                      | 0.00                      | 0.00                      |  |
| 0.00                                     | 0.00                  | 0.00                  | 0.00                 | 0.00                      | 2,149,014.14              | 2,974,177.03              |  |
| -152,199,359.71                          | -2,604,000.08         | 0.00                  | 0.00                 | -154,803,359.79           | 5,902,031.42              | 11,853,939.66             |  |
| -0.30                                    | 0.00                  | 0.00                  | 0.00                 | -0.30                     | 9,293,159.11              | 9,293,159.11              |  |
| -5,478,305.23                            | -223,578.56           | 0.00                  | 0.00                 | -5,701,883.79             | 25,832,174.91             | 25,385,944.35             |  |
| -54,003,336.02                           | -4,750,767.27         | 539,778.28            | 0.00                 | -58,214,325.01            | 84,446,763.24             | 79,558,024.13             |  |
| -2,904,859.09                            | -24,571.43            | 0.00                  | 0.00                 | -2,929,430.52             | 51,024.20                 | 225,602.77                |  |
| -22,167,956.80                           | -228,216.56           | 568,000.10            | 0.00                 | -21,828,173.26            | 2,611,310.97              | 2,576,604.41              |  |
| -84,554,457.44                           | -5,227,133.82         | 1,107,778.38          | 0.00                 | -88,673,812.88            | 122,234,432.43            | 117,039,334.77            |  |
| -11,882,584.48                           | -1,675,697.10         | 166,260.80            | 0.00                 | -13,392,020.78            | 4,299,500.63              | 2,837,915.47              |  |
| -24,031,526.57                           | -4,663,953.64         | 2,938,029.76          | 0.00                 | -25,757,450.45            | 8,847,275.90              | 7,726,672.72              |  |
| -17,544,589.65                           | -2,796,929.04         | 45,104.01             | 0.00                 | -20,296,414.68            | 3,504,434.16              | 2,909,788.46              |  |
| -53,458,700.70                           | -9,136,579.78         | 3,149,394.57          | 0.00                 | -59,445,885.91            | 16,651,210.69             | 13,474,376.65             |  |
| -37,463,389.11                           | -3,044,836.99         | 148,306.09            | 0.00                 | -40,359,920.01            | 6,152,564.60              | 5,751,450.87              |  |
| 0.00                                     | 0.00                  | 0.00                  | 0.00                 | 0.00                      | 0.00                      | 0.00                      |  |
| 0.00                                     | 0.00                  | 0.00                  | 0.00                 | 0.00                      | 0.00                      | 0.00                      |  |
| -8,778,193.27                            | -2,323,774.52         | 2,555,083.13          | 0.00                 | -8,546,884.66             | 7,125,364.50              | 6,290,489.25              |  |
| -318,223.92                              | -328,744.18           | 646,968.10            | 0.00                 | 0.00                      | 45,457.75                 | 0.00                      |  |
| -46,559,806.30                           | -5,697,355.69         | 3,350,357.32          | 0.00                 | -48,906,804.67            | 13,323,386.85             | 12,041,940.12             |  |
| 0.00                                     | 0.00                  | 0.00                  | 0.00                 | 0.00                      | 102,088.97                | 0.00                      |  |
| -6,290,171.84                            | 0.00                  | 0.00                  | 0.00                 | -6,290,171.84             | 176,068.64                | 0.00                      |  |
| -6,290,171.84                            | 0.00                  | 0.00                  | 0.00                 | -6,290,171.84             | 278,157.61                | 0.00                      |  |
| -190,863,136.28                          | -20,061,069.29        | 7,607,530.27          | 0.00                 | -203,316,675.30           | 152,487,187.58            | 142,555,651.54            |  |
| -502,102,754.09                          | -12,999,773.46        | 109,776,501.19        | 7,846,726.31         | -397,479,300.05           | 1,497,752,138.19          | 1,500,823,900.99          |  |
| -1,335,155.57                            | -1,750,000.00         | 669,500.30            | 665,655.27           | -1,750,000.00             | 380,317,993.26            | 302,071,257.03            |  |
| -237,500.00                              | 0.00                  | 0.00                  | 0.00                 | -237,500.00               | 24,175,444.55             | 24,175,444.55             |  |
| -461,302.65                              | 0.00                  | 111,302.65            | 0.00                 | -350,000.00               | 428,009.41                | 350,000.00                |  |
| -315,134.14                              | -160,245.22           | 315,134.14            | 0.00                 | -160,245.22               | 93,957,904.32             | 108,338,117.65            |  |
| -14,656,297.33                           | -514,319.04           | 0.00                  | 3,597,201.78         | -11,573,414.59            | 4,527,014.52              | 10,107,422.83             |  |
| -519,108,143.78                          | -15,424,337.72        | 110,872,438.28        | 12,109,583.36        | -411,550,459.86           | 2,001,158,504.25          | 1,945,866,143.05          |  |
| <b>-862,170,639.77</b>                   | <b>-38,089,407.09</b> | <b>118,479,968.55</b> | <b>12,109,583.36</b> | <b>-769,670,494.95</b>    | <b>2,159,547,723.25</b>   | <b>2,100,275,734.25</b>   |  |

# NOVOMATIC AG

# PROVISIONS

as of December 31, 2019

| PROVISIONS   | Balance as of<br>01/01/19<br>EUR | Consumption<br>EUR   |
|--|----------------------------------|----------------------|
| <b>1. Provisions for severance payments and pensions</b> |                                  |                      |
| Provisions for severance payments                        | 10,130,147.00                    | 405,604.07           |
| Provision for pensions                                   | 8,065,680.00                     | 0.00                 |
|  | 18,195,827.00                    | 405,604.07           |
| <b>2. Provisions for taxes</b>                           |                                  |                      |
| Provision for corporate income tax                       | 5,305,614.41                     | 4,504,059.62         |
| Provision for corporate income tax DE                    | 338,000.00                       | 0.00                 |
|  | 5,643,614.41                     | 4,504,059.62         |
| <b>3. Other provisions</b>                               |                                  |                      |
| Provisions for consulting fees                           | 1,492,480.00                     | 799,943.48           |
| Provisions for unconsumed vacation                       | 6,321,599.07                     | 0.00                 |
| Provisions for time credits                              | 552,390.08                       | 0.00                 |
| Provisions for special payments                          | 11,225.53                        | 0.00                 |
| Other current provisions for personnel                   | 0.00                             | 0.00                 |
| Damages  | 8,120,000.00                     | 5,618,493.25         |
| Provisions for jubilee payments                          | 3,010,916.00                     | 50,247.95            |
| Provisions for guarantees                                | 3,718,800.00                     | 83,312.99            |
| Customer bonuses, discounts                              | 80,930.64                        | 76,827.15            |
| Other provisions   | 14,358,850.70                    | 2,437,960.18         |
|  | 37,667,192.02                    | 9,066,785.00         |
| <b>TOTAL PROVISIONS</b>                                  | <b>61,506,633.43</b>             | <b>13,976,448.69</b> |

| Release              | Allocation           | Balance as of        |
|----------------------|----------------------|----------------------|
| EUR                  | EUR                  | 12/31/19             |
|                      |                      | EUR                  |
|                      |                      |                      |
| 395,372.93           | 1,574,846.00         | 10,904,016.00        |
| 3,609,011.44         | 0.00                 | 4,456,668.56         |
| 4,004,384.37         | 1,574,846.00         | 15,360,684.56        |
|                      |                      |                      |
| 532,534.79           | 254,980.00           | 524,000.00           |
| 0.00                 | 0.00                 | 338,000.00           |
| 532,534.79           | 254,980.00           | 862,000.00           |
|                      |                      |                      |
| 301,939.52           | 1,257,306.35         | 1,647,903.35         |
| 0.00                 | 338,837.59           | 6,660,436.66         |
| 95,614.33            | 0.00                 | 456,775.75           |
| 0.00                 | 4,751.92             | 15,977.45            |
| 0.00                 | 6,651,250.00         | 6,651,250.00         |
| 1,701,506.75         | 1,660,600.00         | 2,460,600.00         |
| 52,287.05            | 824,936.90           | 3,733,317.90         |
| 1,170,887.01         | 0.00                 | 2,464,600.00         |
| 926.42               | 94,225.40            | 97,402.47            |
| 11,370,784.73        | 2,736,741.97         | 3,286,847.76         |
| 14,693,945.81        | 13,568,650.13        | 27,475,111.34        |
|                      |                      |                      |
| <b>19,230,864.97</b> | <b>15,398,476.13</b> | <b>43,697,795.90</b> |

# NOVOMATIC AG

# AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of NOVOMATIC AG, Gumpoldskirchen, which comprise the statement of financial position as at December 31, 2019, the statement of profit and loss and notes to the financial statements.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position as at December 31, 2019 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

### Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 and the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Shares in affiliated companies – valuation

#### Description and Issue

NOVOMATIC AG evaluates annually the impairment of the shares in affiliated companies. For this purpose the enterprise value for all material investments is calculated using discounted cash flows based on the latest forecasts prepared by the company. Subsequently, the equity value is derived from the enterprise value and compared with the carrying amount of the respective investment. For measurement of shares in affiliated companies, which are held for sale, the estimated purchase price is used as a valuation benchmark. Due to changes in the legal or economic environment in 2019 the forecasts for several markets were revised. These changes resulted in an impairment of shares in affiliated companies in the amount of TEUR 13.000. For further details please refer to chapter "2. Financial assets" included in the notes. The underlying forecasts are, amongst other, based on estimates of the effects of these legal and economic changes and are therefore subject to significant uncertainties. Due to that fact and the significance of the shares in affiliated companies in the financial statements we identified this position as a key audit matter.

### Our response

We evaluated the forecasts' underlying assumptions and reviewed the calculation model. To verify the applied discount rates we determined plausible ranges and used them as benchmarks. Additionally, where sales prices were used as valuation benchmarks, we reviewed the documents of the sales negotiations.

### Other Information

Management is responsible for the other information. The other information comprises all information in the consolidated non-financial report, which includes information regarding the parent company and which we obtained prior to the date of this auditor's report, as well as the annual report, but does not include the financial statements of the company and the consolidated statements of the group, the management report and our auditor's report thereon. The annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Regulation (EU) No 537/2014 and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Regulation (EU) No 537/2014 and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that give a true and fair view.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

## Opinion

In our opinion, the management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to section 243a UGB and is consistent with the financial statements.

## Statement

In the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the management report.

## Other Matters which we are required to address according to Article 10 of Regulation (EU) No 537/2014

We were appointed by the annual general meeting on April 24, 2019 and commissioned by the supervisory board on November 21, 2019 to audit the financial statements for the financial year ending December 31, 2019. We have been auditing the Company uninterrupted since the financial year ending December 31, 2004.

We confirm that our opinion expressed in the section "Report on the Audit of the Financial Statements" is consistent with the additional report to the audit committee referred to in Article 11 of Regulation (EU) No 537/2014.

We declare that we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 and that we remained independent of the Company in conducting the audit.

Vienna, March 23, 2020

Deloitte Audit Wirtschaftsprüfungs GmbH

**Walter Müller m.p**

Certified Public Accountant (Austria)



NOVOMATIC-  
Non-Financial Report 2019

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## NOVOMATIC: Non-Financial Report

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# CORPORATE RESPONSIBILITY- MANAGEMENT

NOVOMATIC is committed to transparency and regularly enters into dialog with its stakeholders to provide information on further developments for significant CR issues, as well as to receive valuable inspiration for continued development.

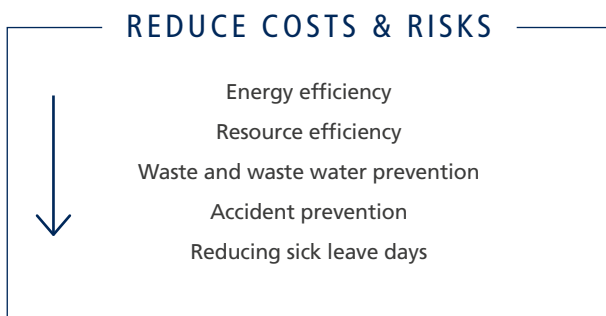
In the last few years, CR management at NOVOMATIC has been continuously developed. The focus has been on expanding the CR organizational structure, the relevant roles and responsibilities within the company, the development of a Group-wide CR strategy and CR principles, introduction of a Group-wide CR key indicator system, as well as increased stakeholder dialogs. These measures are the foundation for structured development, control and performance measurement to be performed this year.

Today, to be viewed as responsible, a company must exhibit measurable developments and positive changes with regard to the significant ecological, social, and corporate fields of action that fall under company responsibility.

NOVOMATIC is working to expand Corporate Responsibility duties, structures and processes across the Group. This allows the company to actively control CR developments and provide relevant information at Group level. All measures are targeted towards a long-term CR strategy.

The added value provided by corporate responsibility can thus be measured concretely as an indicator of corporate success. This includes, for example, obtaining and securing licenses, guaranteeing legal certainty, lowering costs through efficient use of resources, preventing accidents and illness, recruiting the best talents in the market and of course creating long-term relationships with customers, business partners and other stakeholders.

## Corporate Responsibility a Value Driver at NOVOMATIC



### Strategic CR Fields of Action

The central tenet of development within the strategic fields of action “Responsible Entertainment”, “Always Compliant”, “Enjoy Working With Us”, “Going Green”, and “Active in the Community” is the motto: Winning Responsibly. The goal is to become the most innovative and conscientious provider of Responsible Entertainment in the world. The specific issues and measures within these strategic areas have been determined using the materiality analysis and the defined significant issues. The non-financial key figures that rolled out across the Group for the first time in 2017 allow for the structured performance control and communication of the CR development. The company values “do – enjoy – respect” are taken into account for all activities. The trust and support of all stakeholders of the company build the foundation. While revising the strategic

NOVOMATIC CR fields of action, the CR team worked together with representatives from the subsidiaries to define Group principles of action. These describe the company's aspirations for avoiding negative impacts and facilitating positive results. They, therefore, serve as a guideline for individual measures and are each listed at the beginning of the chapters in this report. To expand on this, the team identified important indicators for performance development in each strategic field of action.

### NOVOMATIC’s Strategic Corporate Responsibility House



## The Business Model of the NOVOMATIC AG Group

### STAKEHOLDERS WHOSE SUPPORT WE NEED

**External stakeholders:**

customers, business partners, political bodies and authorities, industry experts and representatives, trade associations, investors and financial institutions, media, sponsoring and donation partners, training institutions, player protection and therapy institutions, NGOs (not focused on player protection), experts in the area of social responsibility.

**Internal stakeholders:**

owners, management, employees

### BUSINESS ASSETS USED EVERY DAY

#### INPUTS WE NEED

**Financial capital**

- Equity and debt, trust from investors

**Production capital**

- Infrastructure, systems, machines, semi-finished and finished parts, commodities (metal, wood, plastic, paint etc.)

**Human capital**

- Employee competence and performance, attractiveness as an employer

**Intellectual capital**

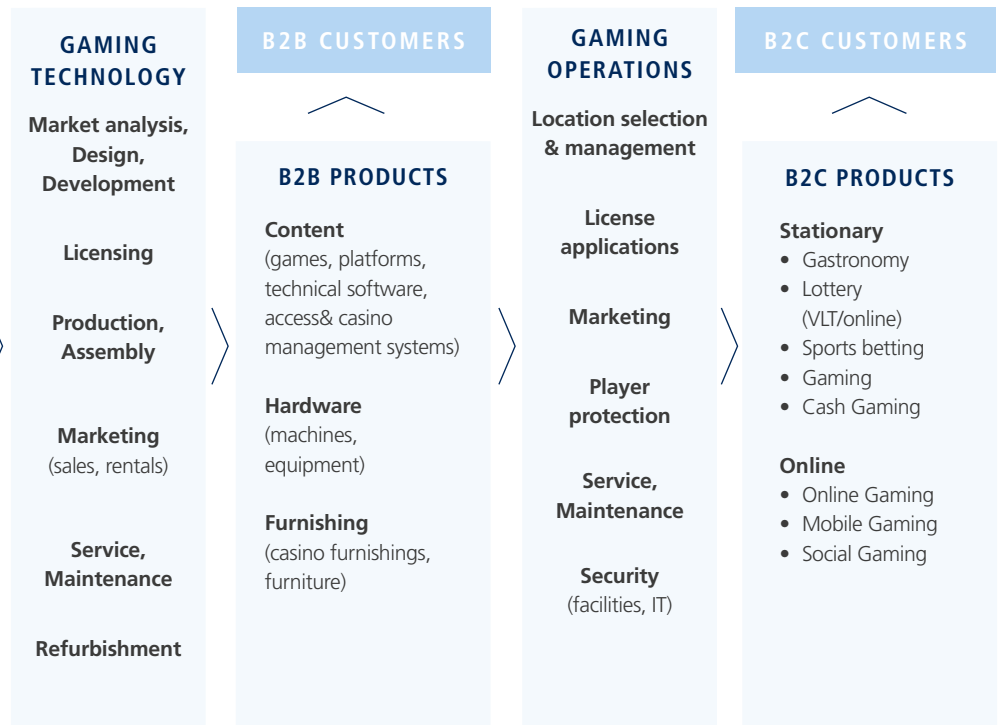
- Intellectual property rights (patents), software, innovative employees, organizational structures

**Natural capital**

- Energy, water, commodities

**Social capital**

- Customer trust, licenses provided by authorities, partnerships with business partners and suppliers, stakeholder support for business activities, image, brand value



#### IMPACTS WE SEEK TO AVOID

- Problematic player behavior
- Missuse of products
- Accidents at work
- Negative health effects
- Discrimination and unequal treatment
- Corruption and breach of legal provisions
- Resource consumption e.g.: water, energy, raw materials
- Waste e.g.: hazardous and non-hazardous waste
- Emissions e.g.: direct and indirect emissions caused by energy consumption and transport

## POSITIVE OUTPUTS WE CREATE

### Financial

- Profit for investors and owners
- Local and international tax payments
- Company value
- Income for suppliers and business partners
- Employee wages

### Non-financial

- Entertainment value (products)
- Jobs created
- Trained employees
- Strengthening innovation in the region
- Support for charitable initiatives (sponsoring activities, donations, volunteer work)
- Safety (for customers and employees)
- Fight against illegal gaming
- Fair competition

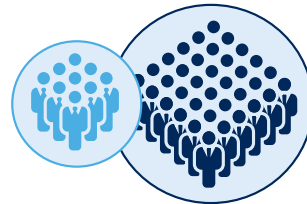
## ADDITIONAL INPUTS

- Software and hardware
- Logistics services
- Infrastructure and locations
- Security services
- Catering products

## Stakeholder Dialog

Transparent and open dialog with all company stakeholders is a central element of NOVOMATIC's CR activities. The stakeholders include all legal entities and natural persons on which our corporate activities have any sort of effect or that can influence NOVOMATIC in some way. The goal is to understand the requirements, expectations and development perspectives of the stakeholders with regard to the company's CR activities. For this reason, the company maintains a dialog with all these different stakeholder groups. This helps to maintain a balance between the company's stakeholders' requirements and its corporate goals.

This balance allows for proper evaluation of significant CR issues from a stakeholder perspective and helps identify potential areas of improvement, which in turn helps to set priorities within CR management.



- **Internal stakeholders:** supervisory board, owners, company management, employees
- **External stakeholders:** customers, business partners, politics and authorities, industry experts and representatives, trade associations, investors and financial institutions, media, sponsoring and donation partners, training institutions, player protection and therapy institutions, NGOs (not focused on player protection), experts in the area of social responsibility.

NOVOMATIC is aware that not all stakeholders share its perspective and that there are some critical elements. Transparency is, therefore, an important corporate value that helps to maintain an open and constructive dialog with stakeholders. In 2017, the company carried out a comprehensive process to identify the most important stakeholders. Their perspectives, expectations and priorities regarding CR issues at NOVOMATIC were recorded and evaluated. The company carried out an online stakeholder questionnaire with 120 participants, structured interviews with experts in the area of player protection and gaming addiction prevention, as well as bilateral conversations with selected stakeholders. The results of this process were then used to identify and evaluate the most significant Corporate Responsibility fields of action. How the stakeholders view the individual fields of action is represented by the materiality matrix.



Due to the increasing importance of Environmental, Social, and Governance (ESG) evaluations, NOVOMATIC began numerous conversations on these subjects with its major investors and banks. It has since continued this proactive dialog with relevant stakeholders.

The Group is judged according to ESG criteria in the following reports:

- ESG in S&P Credit Rating
- ISS ESG Corporate Rating
- MSCI ESG Controversies Report
- RepRisk Company Report
- Sustainalytics ESG Risk Rating Report
- Vigeo Eiris ESG Rating

Of course, every NOVOMATIC subsidiary is involved in direct dialog with its stakeholders.

NOVOMATIC communicates with its stakeholders across a variety of channels, for example, direct conversation, working groups, workshops, at events, through reports, via the website and social media. In this CR report, all stakeholders can view information on CR objectives, principles, measures and results.

 102-21, -40, -42, -43

The following summary is a list of different types of information, dialogs and direct cooperation with our stakeholders.

| Information  | Dialog   | Participation  |
|--|--|--|
| <p><b>Creating transparency, Providing information</b></p> <ul style="list-style-type: none"> <li>• CR Website: <a href="http://www.novomatic.com/cr">www.novomatic.com/cr</a></li> <li>• Annual CR reporting: In accordance with GRI standards, the EU Directive on Non-Financial Information, progress report in accordance with the UN Global Compact and the Sustainable Development Goals (SDGs)</li> <li>• Regular reporting to supervisory authorities</li> <li>• Intranet news for employees</li> <li>• CEO Town Hall Meeting</li> </ul> | <p><b>Open exchange, listen and learn</b></p> <ul style="list-style-type: none"> <li>• Personal talks with relevant stakeholders and specialists</li> <li>• Participation in international expert conferences</li> <li>• Dialog on Environmental, Social and Governance (ESG) issues with investors and banks</li> <li>• NOVOMATIC Stakeholder Forum</li> <li>• Dialog on CR issues with employees as part of NOVOMATIC Welcome Days and the NOVOCCompany Day</li> </ul> | <p><b>Active participation, Project realization</b></p> <ul style="list-style-type: none"> <li>• Partnerships in the areas of addiction prevention, science and research, social affairs, and long-term financial support for addiction therapy centers</li> <li>• Proactive dialog and continued development with the industry in committees on CR and in particular player protection issues as part of the industry associations EUROMAT (Europe) and AGA (USA)</li> <li>• Active exchange and cooperation with local CR specific platforms, interest groups, events and workshops</li> <li>• Internal CR Board meetings for ongoing coordination within the NOVOMATIC AG Group</li> <li>• Employee satisfaction surveys</li> </ul> |

NOVOMATIC views membership in interest and industry groups, as well as in organizations with agendas focusing on sustainability or corporate responsibility, as an important part of its dialog with relevant stakeholders. The following memberships allow NOVOMATIC to apply its experience to a variety of issues, such as protection of players and minors, both within and outside of the industry and allow the company to share its expertise not just internally, but also with other corporations.

| <b>NOVOMATIC companies</b> | <b>Interest groups</b><br>Relevant local chambers of commerce, industry and business associations, Corporate Responsibility and Responsible Entertainment associations (excerpt)   |
|----------------------------|--|
| <b>Group-wide</b>          | American Gaming Association (AGA) and the Responsible Gambling working group<br>European Gaming and Amusement Federation (EUROMAT) and the working group Social Responsibility<br>Gaming Standard Association (GSA)<br>United Nations Global Compact (UNGC)  |
| <b>Austria</b>             | Federation of Austrian Industry, Economic Chamber Austria, respACT – austrian business council for sustainable development, Austrian Bookmakers Association (OBMV), Economic Association Austria   |
| <b>Germany</b>             | Bundesverband mittelständische Wirtschaft (BVMW), Verband der deutschen Automatenwirtschaft e.V. (VDAl), Die deutsche Automatenwirtschaft e.V. (DAW), Deutscher Automatengroßhandelsverband e.V. (DAGV), Bundesvereinigung privater Spielbanken (BUPRIS)   |
| <b>Italy</b>               | Servizi Apparecchi per le Pubbliche Attrazioni Ricreative (SAPAR), Assotrattimento 2007 (ASTRO), CSR Manager Network Italy, Association of Machine Manufacturers for Entertainment (ACMI), Association Concessionari Public Game (ACADI)   |
| <b>United Kingdom</b>      | British Amusement Catering Trade Association (BACTA), Gambling Business Group (GBG), British Bingo Association   |
| <b>Spain</b>               | Club de Convergentes, Asociación Española de Empresarios de Salones de Juego y Recreativos (ANESAR), Plataforma del Juego Sostenible, Asociación Nacional de Casinos (AECJ), Federación Andaluza de Asociaciones de Máquinas Recreativas, Salones y Ocio (ANMARE), La Asociación de Empresarios de Máquinas Recreativas de la Comunidad Valenciana (ANDEMAR CV), Consejo Empresarial del Juego (CEJUEGO), Club de Convergentes |
| <b>Netherlands</b>         | Gaming in Holland, Sectie Amusementscentra (SAC)   |
| <b>Romania</b>             | ROMSLOT – Asociatia Organizatorilor de Sloturi   |
| <b>Serbia</b>              | The Serbian Chamber of Commerce and Industry of Serbia (CCIS)  |
| <b>North Macedonia</b>     | APIS Association   |
| <b>Poland</b>              | Polish Committee for Standardization (Polski Komitet Normalizacyjny – PKN)   |
| <b>USA</b>                 | National Indian Gaming Association (NIGA), The Association of Gaming Equipment Manufacturers (AGEM), The California Nations Indian Gaming Association (CNIGA), Oklahoma Indian Gaming Association (OIGA), Las Vegas Chamber of Commerce  |
| <b>Online</b>              | Remote Gambling Association, Gamble Aware, Betting and Gaming Council  |

## Material Issues

Within the five strategic pillars, there are many fields of action for which NOVOMATIC assumes responsibility. These fields of action are included and prioritized in the materiality matrix.

NOVOMATIC implemented a comprehensive process for identifying and evaluating material corporate responsibility issues. In doing so, NOVOMATIC applies the materiality process from the international Global Reporting Initiative (GRI) standards and orients towards good practice in the industry.

This included the following steps, among others:

- Identification of relevant issues
- Evaluation of the issues in accordance with their relevance for stakeholders, the effect of the company, and the relevance for NOVOMATIC's business activities
- Creation of a materiality matrix with all major issues

### IDENTIFICATION OF RELEVANT ISSUES

**Compilation of all potentially relevant issues and fields of action using:**

- Previously identified issues
- Industry and peer group analysis
- Workshop carried out with all Group department heads
- Workshop carried out with CR representatives from subsidiaries

### EVALUATION OF ISSUES

**Relevance for Stakeholders**

- Online stakeholder survey
- Stakeholder forum
- Structured interviews

**Company Impact**

- Structured interviews with experts
- Industry impact analysis
- Feedback from consultants

**Relevance to company business**

- Evaluation by Group department heads and the management

### MATERIALITY MATRIX

Includes all material issues that are priority

Further development in the fields of action using measures at both the Group level and within the subsidiaries.

The following image of the materiality matrix shows those issues that are relevant from the point of view of external stakeholders, as well as on which of NOVOMATIC's business activities have an impact and are important for the company's success. All issues represented are part of CR Management.

The Y-axis shows the relevance of the CR subjects according to NOVOMATIC's external stakeholders (for example: authorities, customers, partners, interest groups, opinion leaders, experts etc.). The X-axis shows the degree of positive or negative impact that business activities have on each issue. The size of the circle shows the relevance of the issue for NOVOMATIC's success. The evaluation goes from 0 – not relevant/no impact to 5 – very relevant/very large impact.

© 102-44, -46, -47, 103-1, -3

The higher the relevance to stakeholders and the impact of the company's activities, the higher the prioritization for structured further development as well as improvement of CR performance in these topics. The display can therefore be read from top right to bottom left.

In this matrix, the assessment of the impact of the company's activities is covered, as required by the EU Directive on Non-Financial Reporting and the GRI standards. The business relevance is a new dimension shown in size of the circles. In this report, all CR issues identified as material are mentioned based on their priority in this matrix.

The topic of local anchoring can be found in numerous paragraphs as it is a cross-sectional issue.






### Materiality Matrix 2019



## CR Program

Due to the ongoing expansion of the subsidiaries covered by the CR Management and resulting difficulty of calculating meaningful annual values, qualitative objectives were defined.

For the future, it is planned to set additional quantitative targets and to further specify these. This as soon as the data situation is complete within the group (more than 90 % revenue coverage through direct data) and on this basis meaningful goals can be set.

| Strategic fields of action  | Material issues   | Action principles  |
|---|---|--|
| <p><b>Responsible Entertainment</b></p>  | <ul style="list-style-type: none"> <li>• Player protection</li> <li>• Responsible marketing</li> </ul>  | <ul style="list-style-type: none"> <li>• „We offer responsible entertainment and ensure that our products and services are used conscientiously.“</li> <li>• „We make sure our employees are well trained in player protection and that they pay close attention to identifying problematic behavior and act accordingly.“</li> <li>• „We prevent minors and other vulnerable groups from using our products.“</li> </ul>                          |
| <p><b>Always Compliant</b></p>         | <ul style="list-style-type: none"> <li>• Corruption &amp; money laundering prevention</li> <li>• Data protection</li> <li>• Security</li> <li>• Avoiding abusive product consumption</li> <li>• Supplier responsibility</li> <li>• Human rights</li> <li>• Fair competition &amp; public affairs</li> </ul> | <ul style="list-style-type: none"> <li>• „We implement systems that support our legal compliance and act in accordance with the standards set out in the Code of Conduct.“</li> <li>• „We are all required to make every effort to identify and prevent any and all fraudulent and criminal behavior within the company.“</li> <li>• „We ensure that our customers’ and stakeholders’ data protection rights are always taken care of.“</li> </ul> |
| <p><b>Enjoy Working with Us</b></p>    | <ul style="list-style-type: none"> <li>• Training &amp; further education</li> <li>• Occupational health &amp; safety</li> <li>• Employee diversity &amp; equality</li> <li>• Innovation</li> </ul>   | <ul style="list-style-type: none"> <li>• „We support employee development and offer training and continued education opportunities.“</li> <li>• „We see our employees as an important source of innovation that we strengthen.“</li> <li>• „We value the diversity of our staff and stakeholders and treat all people equally.“</li> <li>• „We create safe and healthy working conditions in order to avoid accidents and illness“</li> </ul>      |
| <p><b>Going Green</b></p>              | <ul style="list-style-type: none"> <li>• Energy consumption &amp; emissions</li> <li>• Resource consumption &amp; waste prevention</li> </ul>   | <ul style="list-style-type: none"> <li>• „We minimize our environmental footprint through efficient handling of energy and resources, as well as by reducing the waste and emissions that we produce.“</li> <li>• „We strive to make positive contributions to environmental protection using both production and operational measures.“</li> </ul>  |
| <p><b>Active in the Community</b></p>  | <ul style="list-style-type: none"> <li>• Sponsoring &amp; donations</li> <li>• Local anchoring</li> </ul>   | <ul style="list-style-type: none"> <li>• „We contribute to society with sponsoring activities, donations and volunteer activities.“</li> <li>• „We are active and responsible citizens and invest in our local communities.“</li> <li>• „We promote valuable partnerships and sustainable initiatives.“</li> </ul>   |

GRI 103-1, -2, 102-16

The following chart shows the strategic fields of action, the significant issues, the relevant principles of action, key figures for control and the goals.

Together, they represent NOVOMATIC's "Winning Responsibly" CR plan for the coming year.

| Control indicators   | Strategic goals  |
|--|--|
| <ul style="list-style-type: none"> <li>• Degree of implementation for Responsible Entertainment (RE) measures</li> <li>• RE certifications within the Group</li> <li>• RE policy implementation</li> </ul>   | <ul style="list-style-type: none"> <li>• Obtaining and maintaining licenses using RE measures</li> <li>• Prevent problematic gaming and protect vulnerable groups</li> <li>• Comply with RE Policy</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Degree of training implementation on the Code of Conduct and company guidelines</li> <li>• Reported violations of legal requirements, the Code of Conduct and company guidelines</li> </ul>   | <ul style="list-style-type: none"> <li>• Compliance with legal regulations, as well as the Code of Conduct and company guidelines</li> <li>• Prevention of corruption and money laundering</li> <li>• Protection of personal data belonging to customers and other stakeholders</li> </ul> |
| <ul style="list-style-type: none"> <li>• Percentage of women in total and in management positions</li> <li>• Percentage of resignations by employees</li> <li>• Sick leave rate</li> <li>• Accident rate</li> <li>• Training and further education hours per employee</li> </ul> | <ul style="list-style-type: none"> <li>• Positioning in the market as an attractive employer</li> <li>• Creation of a safe and healthy work environment that supports diversity and innovation</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Energy consumption in MWh</li> <li>• CO<sub>2</sub> emissions in tons</li> <li>• Water consumption in m<sup>3</sup></li> <li>• Waste in tons</li> </ul>   | <ul style="list-style-type: none"> <li>• Minimize consumption of energy and resources as well as minimizing emissions and waste</li> <li>• Contribution to the protection of the environment</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Social impact of sponsoring activities, donations and volunteer work</li> </ul>   | <ul style="list-style-type: none"> <li>• Contribution to corporate responsibility via sponsoring activities, donations and volunteer work.</li> </ul>  |

### Anchoring Within the Organization

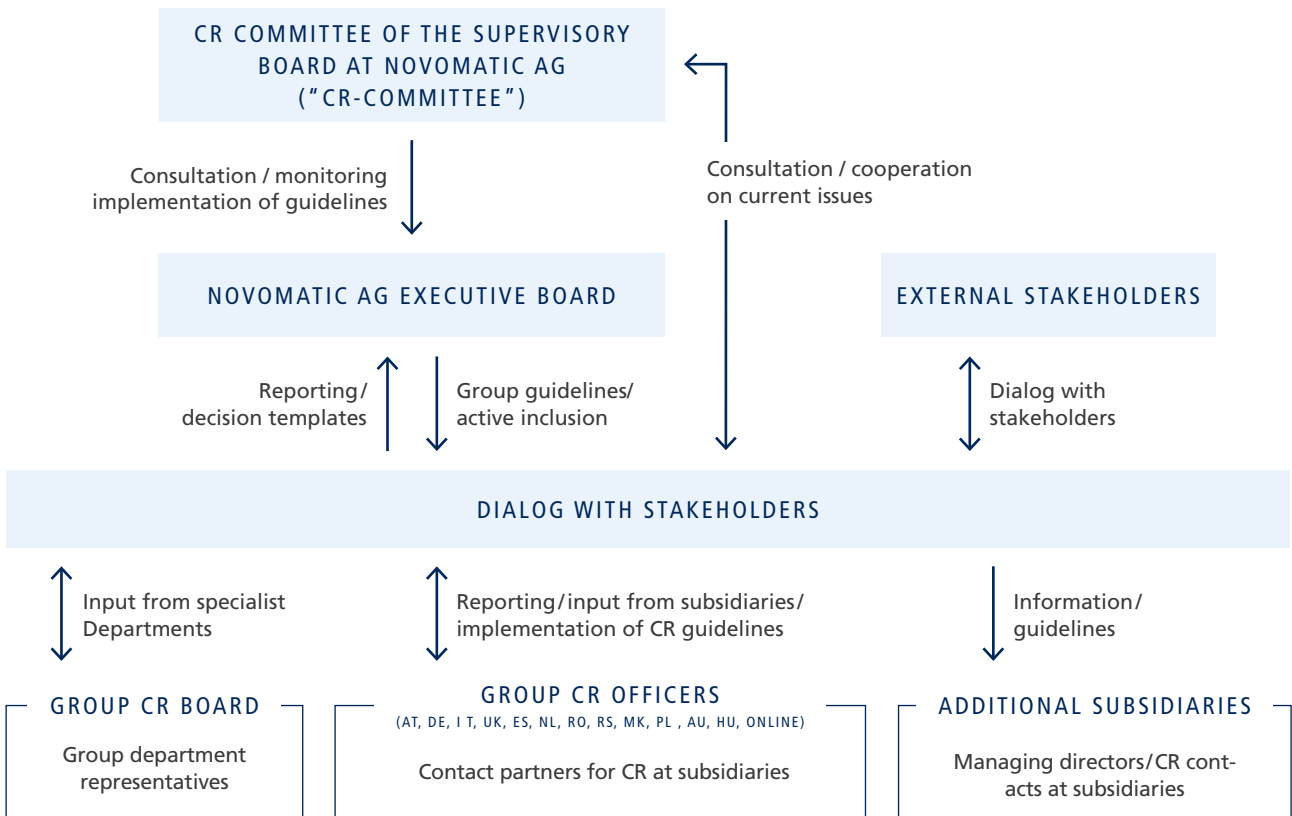
The Group Corporate Responsibility & Sustainability Department is responsible for the strategic, structural and impact oriented management of Corporate Responsibility at NOVOMATIC. This department reports directly to the NOVOMATIC AG Executive Board. Coordination of strategic CR challenges, as well as opportunities and risks, is based on regular conversation, both with the management of the company and with NOVOMATIC AG’s Supervisory Board Corporate Responsibility committee. The committee is made up of members from the Supervisory Board. Its job is, in cooperation with Group CR Management, to identify strategic CR issues, risks and opportunities and to present corresponding action proposals to the Managing Directors. The Committee highlights the strategic importance of CR at NOVOMATIC. It meets several times a year as needed.

In addition, the Corporate Responsibility Board holds several meetings each year to support continued development and conversations on subjects related to CR within the Group. The CR Board is made up of representatives from the most important

Group functions, Austrian operative units and internal experts on relevant CR subjects. The Board shares CR relevant information and presents and discusses suggestions on implementation. This ensures a high level of integration in all operative and supporting business units.

The major subsidiaries are integrated into the CR team in terms of international coordination, control and measurement of CR fields of action. Each CR Officer within a subsidiary delivers CR relevant information to headquarters, implements measures and projects, ensures guidelines are met and maintains a dialog with local stakeholders. They engage regularly in CR team calls, international meetings and a continuous bilateral exchange of information.

In 2019, the number of subsidiaries engaged in these activities was expanded to include companies from Australia, Hungary and Poland, ensuring a total coverage of 87 %. This year, additional companies will be added in order to meet the goal of ensuring 90 % of revenue of the group consolidation scope is covered.



GRI 102-18, -19, -20

### Principles, Standards, Systems and Certifications

In order to proactively manage performance progress and improvement on CR subjects, as well as to proactively manage stakeholders, the company uses a series of CR relevant principles, standards, management systems and certifications. The NOVOMATIC AG Group uses a variety of standards and tools to manage CR subjects across its numerous international production locations and operational subsidiaries. As a base for Group-wide CR management, NOVOMATIC applies relevant standards and guidelines, such as the Sustainable Development Goals (SDGs), the principles of the UN Global

Compact (UNGC), the Global Reporting Initiative standards, the guidelines on non-financial reporting as published by the European Commission and also the Austrian Law on the Improvement of Sustainability and Diversity (NaDiVeG).

In addition to those management tools that are oriented on legal requirements and local customs, there are standards and additional tools that are applied across the entire NOVOMATIC AG Group.



| Tool   | Context   | Applied since |
|--|---|---------------|
| <b>United Nations Global Compact (UNGC) Principles</b>                           | Corporate initiative founded in 2000 by UN General Secretary Kofi Annan, currently has more than 9,000 members. Illustrates ten principles for responsible trading. Within the framework of this report, NOVOMATIC publishes a UNGC Communication of Progress (COP).  | 2014          |
| <b>United Nations Sustainable Development Goals (UN SDGs)</b>                    | 17 measurable goals in regard to sustainability, which, starting in 2016 as a successor of the Millennium Development Goals (MDGs), provide guidance to all countries across the globe and also to corporations. NOVOMATIC uses these SDGs as a strategic guide and provides information within the framework of this report.   | 2015          |
| <b>Global Reporting Initiative Standards (GRI)</b>                               | Worldwide de facto standards (GRI Standards) for Corporate Responsibility and Sustainability reporting. They specify, analogue to a dictionary, aspects and detailed indicators in the categories "economic", "ecological", "work practices", "human rights", "society" and "product responsibility", in order to provide a basis for comparison beyond company borders. This report is written in accordance with the standards as laid out in the Global Reporting Initiative (GRI), application option 'core'. | 2011          |
| <b>Austrian Law on the Improvement of Sustainability and Diversity (NaDiVeG)</b> | Austrian law for implementing EU Directive 2014/95/EU regarding disclosure of non-financial and diversity information. NOVOMATIC has implemented this guideline in Group-wide reporting since 2017.   | 2017          |
| <b>Quality Management standard ISO 9001</b>                                      | ISO 9001 is an ISO standard for managing numerous quality aspects and provides a basis of evaluation for quality performance. NOVOMATIC has been implementing ISO 9001 to a varying degree many of its subsidiaries since 2005.   | 2005          |
| <b>Environmental Management standard ISO 14001</b>                               | The standard, published by the International Standardization Organization (ISO), helps with management and performance evaluation in regard to ecological aspects such as environmental protection, use of resources, waste, waste water and so on. NOVOMATIC has been implementing ISO 14001 to a varying degree many of its subsidiaries since 2014.  | 2014          |
| <b>Health and Safety standard OHSAS 18001 / ISO 45001</b>                        | NOVOMATIC received certification in Austria in 2018 after the OHSAS 18001 standard in the 2015 revision. NOVOMATIC has been implementing OHSAS 18001 to a varying degree many of its subsidiaries since 2014.   | 2014          |



| Tool   | Context  | Applied since |
|--|--|---------------|
| <b>Information security standard ISO 27001</b> | This ISO standard specifies the requirements for an information security management system within an organization. It also provides requirements for evaluation and handling of information security risks. NOVOMATIC has been implementing ISO 27000 to a varying degree many of its subsidiaries since 2009.   | 2009          |
| <b>G4 player protection standard</b>           | G4 is the international standard for responsible gaming. This standard goes above and beyond the legal requirements and, with more than 100 audit criteria and a duty to re-certify every two years, is considered the most recognized standard worldwide. NOVOMATIC has been implementing G4 to a varying degree many of its subsidiaries since 2019. | 2019          |

### Sustainable Development Goals (SDGs)




Ever since they were published in 2015, NOVOMATIC AG has supported the globally applicable Sustainable Development Goals (SDGs). These 17 major goals and around 170 sub-goals, which all focus on sustainability, are the orientation for all countries around the world as a successor to the Millennium Development Goals (MDGs).

NOVOMATIC uses these SDGs as a strategic guide and provides information within the framework of this report. In the NOVOMATIC AG Group Annual Report, the paragraphs containing information relevant to the SDG are marked with the SDG logo. The numbers beside it reference the associated SDG goal.

 United Nations Sustainable Development Goals: <https://sustainabledevelopment.un.org>

The following summary shows the contributions that the NOVOMATIC AG Group has made to the SDGs. These contributions were determined using the document "An analysis of the goals and targets" published by the United Nations Global Compact and the Global Reporting Initiative. You can find out more about the report in the paragraphs marked by the SDG logo. The abbreviation is a reference to the SDG goal in question. You can find a summary of every SDG goal and page numbers for the contents in the "GRI, SDG, UNGC and NaDiVeG Index" of this report.

### NOVOMATIC's Contribution to the Sustainable Development Goals

| SDG Goals   | Supported sub-goals  | NOVOMATIC contribution  |
|---|--|---|
|  | 3.9. Reduction of deaths and illnesses caused by air, water and ground pollution.  | <ul style="list-style-type: none"> <li>• Health and occupational safety measures for all employees.</li> <li>• Environmental management for reducing waste and emissions.</li> </ul>                                    |
|  | 4.5. Eliminating gender-specific disparities in training and ensuring equal-opportunity access to training and educational levels. | <ul style="list-style-type: none"> <li>• Extensive training and further education opportunities for all employees.</li> <li>• Support for apprentices.</li> <li>• Measures to ensure diversity and equality.</li> </ul> |
|  | 5.1. Ending all forms of discrimination against women.   | <ul style="list-style-type: none"> <li>• Supporting women in management positions.</li> <li>• Measures to ensure diversity and equality.</li> </ul>   |


| SDG Goals   | Supported sub-goals   | NOVOMATIC contribution  |
|---|---|---|
| <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>                | <p>7.2. Increasing the share of renewable energy in the energy mix.</p> <p>7.3. Increasing energy efficiency.</p>   | <ul style="list-style-type: none"> <li>Group monitoring of absolute and relative energy consumption, energy sources in use and the associated emissions.</li> </ul>   |
| <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>            | <p>8.1. Contribution to local and regional economic growth.</p> <p>8.2. Increased economic productivity via diversification, technological modernization and innovation.</p> <p>8.4. Contribution to uncoupling economic growth and resource consumption as well as preventing environmental degradation.</p> <p>8.5. Contribution to productive full-time and humane employment.</p> <p>8.8. Protection of labor rights and creation of a safe work environment for all employees.</p> | <ul style="list-style-type: none"> <li>Measurement of NOVOMATIC AG's economic footprint.</li> <li>Contribution to local economic performance via job creation, paying local taxes and using regional suppliers.</li> <li>Supporting innovation via education and training, as well as innovation projects.</li> <li>Measures to increase energy and resource efficiency.</li> <li>Creation of around 23,000 jobs in the consolidated group in more than 50 countries.</li> <li>Occupational health and safety measures, guaranteed equal opportunities, as well as protection of employee rights within the Group.</li> </ul> |
| <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  | <p>9.2. Contribution to broadly effective and sustainable industrialization.</p>  | <ul style="list-style-type: none"> <li>Job creation in more than 50 countries.</li> <li>Corporate Responsibility Management for social and ecological development within the Group.</li> </ul>  |
| <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  | <p>12.6. Introduction of sustainable practices and sustainability reporting.</p>  | <ul style="list-style-type: none"> <li>Recording of non-financial performance indicators in a non-financial report, starting in 2017.</li> <li>Transparent communication with relevant stakeholders regarding environmental, social and corporate responsibility.</li> </ul>  |
| <p><b>13</b> CLIMATE ACTION</p>                          | <p>13.1. Increase in flexibility in terms of climate related risks and natural disasters.</p>   | <ul style="list-style-type: none"> <li>Measurement of direct and indirect CO<sub>2</sub> emissions.</li> <li>Measures to reduce energy consumption and emissions.</li> </ul>  |
| <p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p>  | <p>16.3. Supporting rule of law on the national and international stage.</p>  | <ul style="list-style-type: none"> <li>Ensuring legal regulations are followed using the Code of Conduct and corporate guidelines.</li> <li>Organization and processes in order to report violations or identify them in other manners.</li> </ul>  |

# SUSTAINABLE DEVELOPMENT GOALS

## United Nations Global Compact Principles (UNGC)

The NOVOMATIC AG annual report serves as a progress report (Communication on Progress) on the application of the UNGC principles. Since May 2014 NOVOMATIC is member of the UNGC. This initiative was launched in 2000 at the instigation of the UN General Secretary Kofi Annan. Goal of the UN Global Compact is to promote social and environmental sustainability on an international level and to promote the social commitment of companies. More than ten principles set out the areas in which companies should take over their social responsibility.

This progress report is also available online on the website of the United Nations Global Compact:

 United Nations Global Compact – Profil NOVOMATIC AG: [www.unglobalcompact.org/what-is-gc/participants/36511](http://www.unglobalcompact.org/what-is-gc/participants/36511)


NOVOMATIC is committed to the ten United Nations Global Compact (UNGC) principles. It is the largest global initiative for the implementation of corporate responsibility and sustainability. This report serves to detail the progress. You can find a summary of every SDG goal and page numbers for the contents in the “GRI, SDG, UNGC and NaDiVeG Index” of this report.



## Global Reporting Initiative (GRI) Standards

This report is written in compliance with the standards as laid out in the Global Reporting Initiative (GRI), application scope ‘core’.

NOVOMATIC has been using GRI since 2011, and in the fiscal year 2017 transitioned from using the GRI G4 guidelines to using GRI standards. GRI was founded in 1997 in partnership with the United Nations environmental program. The goal was to increase transparency and comparability of information on sustainability within companies. Today, the GRI reporting guidelines and directives are the standard for reporting on corporate responsibility and sustainability.

In this NOVOMATIC AG Annual Report, the paragraphs with GRI related information are marked by the symbol and the numbered abbreviation for each GRI Indicator. 


 Global Reporting Initiative (GRI): [www.globalreporting.org](http://www.globalreporting.org)

 102-54


## Austrian Law on the Improvement of Sustainability and Diversity (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG)

This report was written to meet requirements listed in Sections §§ 243b and 267a of the Austrian Commercial Code and thus serves as a (consolidated) non-financial report within the framework of the Annual Report.

The Austrian Law on the Improvement of Sustainability and Diversity was published on January 17, 2017 in the Austrian Federal Gazette. It implements, at a national level, EU Directive 2014/95/EU on non-financial reporting. NOVOMATIC AG is bound to fulfill the conditions of the law due to the bonds issued to the market, the size of the company and its status as a Public Interest Entity (PIE).

 European Commission Guidelines on non-financial reporting: <https://eur-lex.europa.eu/>

In addition to the information provided in the Annual Report, there are further GRI key figures. These notes are included in the digital version of the report. The print version indicates that these figures can be downloaded separately on the NOVOMATIC website, which is accessible to everyone.

 Corporate Responsibility notes to the Group annual report: [www.novomatic.com/cr](http://www.novomatic.com/cr)

## About the Report

The Corporate responsibility (CR) report is published each year. The previous CR report was released on April 25, 2019. Unless otherwise stated, all information and data refer to the 2019 fiscal year from January 1 to December 31. Figures are taken from the cut-off date of December 31.

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The report includes, unless otherwise stated, all those companies within the scope of consolidation, with information recorded via direct data collection or extrapolation.


For the fiscal year 2019, this report includes data collected directly on companies making up 87 % of the NOVOMATIC AG Group revenue. The remaining amount is extrapolated to reach a total of 100 %.


You can find a summary in the chapter "segment analysis" included in the notes for this Consolidated Financial Statement.


The report, including the integrated index and all non-financial key figures, can be accessed online at:

 [www.novomatic.com/cr](http://www.novomatic.com/cr)

In the report, the following symbols are used for orientation of the reader:

 Reference to an indication relating to the United Nations Sustainable Development Goals (SDGs)

 Reference to an indicator according to Global Reporting Initiative standards, application level "core"

 Reference to further information or cross references in the report

In order to improve readability, terminology is used only in its masculine form. Any wording relating to persons is to be understood as gender neutral.

## Changes 2019

- The CR Strategy chapter has been integrated into the CR-Management chapter.
- The names for fields of action have been consolidated in some cases.
- The beginning of each chapter contains a summary page with the most important contents and statements, in order to give the reader an easy to digest outline.
- Measures within the individual fields of action can be found in the summary tables at the beginning of each chapter and are also noted using selected highlights. This means that descriptions for individual fields of action are shorter.
- The integrated index has been restructured.
- All environmental indicators have updated in 2018 and 2017 on the basis of improved data collection and projection.

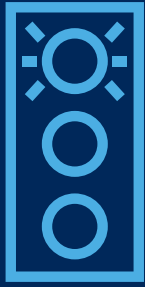
The implementation of requirements from Sections §§ 243b and 267a (NaDiVeG) of the Austrian Commercial Code, as well as the correctness of selected information in the report was audited by the certified public accounting firm Deloitte Audit Wirtschaftsprüfungs GmbH. You find the independent audit report at the end of this report.

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**WE THANK YOU FOR YOUR FEEDBACK AND  
SUGGESTIONS TO THE  
GROUP CR & SUSTAINABILITY DEPARTMENT.**

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# RESPONSIBLE ENTERTAINMENT

This section provides a summary of the most important results and measures described in this chapter.

## OUR COMMITMENT ON RESPONSIBILITY

- “We offer responsible entertainment, and ensure that our products and services are used conscientiously.”
- “We make sure our employees are well trained in player protection and that they pay close attention to identifying problematic behavior and act accordingly.”
- “We prevent minors and other vulnerable groups from using our products.”

### Responsible Entertainment



11

In total 11 most important Group companies certified with the G4 responsible gaming standard (represents 56 % of Group revenue)

### Responsible Technology



17

Introduction of the NOVOMATIC Biometric System™ (NBS) in 17 countries

## PRINCIPLES OF THE RESPONSIBLE ENTERTAINMENT CODE

- I  
Prevention is the best player protection.
- II  
We protect children and young adults.
- III  
We communicate responsibly.
- IV  
We strengthen our customers' sense of responsibility.
- V  
We employ competent staff members.
- VI  
We value informed customers.
- VII  
We make controlled gaming possible.
- VIII  
We guarantee fair playing conditions.
- IX  
We work with experienced partners.
- X  
We take on responsibility in regulated online gaming markets.

# RESPONSIBLE ENTERTAINMENT

The company acts as a welcoming and responsible host at its branches and gaming facilities. That is why it offers only responsible gaming options and creates suitable framework conditions to keep gaming fun.

The figures and displays presented in this chapter apply, unless otherwise indicated, to all NOVOMATIC AG core companies.

At NOVOMATIC, Responsible Entertainment covers measures for gaming addiction prevention in the gaming segment but also includes measures in the sports betting, lottery, and online gaming segments. The company is well aware of the requirements and expectations of authorities, customers, business partners, and other stakeholders. Responsible Entertainment is a key element in the implementation of business activities at NOVOMATIC.

The provision of gaming services is strictly regulated and monitored by the government in many countries. The requirements are defined very differently across Europe, and even within individual countries. The concrete definition of responsible gaming measures primarily depends on the legal framework of the individual markets in which NOVOMATIC is active. The company welcomes clear, legal regulations, and is only active in regulated gaming markets.

Player protection is guaranteed using technical expertise, many years of international experience, and by working

together with experts and institutions. NOVOMATIC takes a proactive approach to Responsible Entertainment, which involves all business areas, from the casinos and gaming facilities to sports betting and online gaming. The company uses all available means to implement measures for the protection of players and minors that go above and beyond the legal requirements. Some examples include biometric access restrictions, extensive employee training on gaming addiction prevention, and measures designed to aid responsible marketing practices. You can find more extensive information on these subjects in each relevant section of this chapter.

The most important thing for fun and responsible gaming, in addition to technical player protection measures, is that players assume a degree of responsibility for their own actions. This is why NOVOMATIC takes care to inform players about the risks of excessive use. In addition, depending on local regulations, there may be limitations on the amount of time a person can play, how often they can visit a facility, or the amount they can spend, in order to prevent problematic player behavior.

## Responsible Entertainment Measures: Summary

This summary shows the most important responsible entertainment and compliance measures taken in various countries:

| Responsible Entertainment measures                 | AT                                 |                          | DE                                 |  |                          |  | IT   |                         |                            |
|--|------------------------------------|--------------------------|------------------------------------|--|--------------------------|--|--|-------------------------|----------------------------|
|  | ADMIRAL Casinos & Entertainment AG | ADMIRAL Sportwetten GmbH | ADMIRAL Spielhallen Gesellschaften | Kurhessische Spielbank Kassel/ BadWildungen GmbH & CO KG | LÖWEN ENTERTAINMENT GmbH | Spielbank Berlin GmbH & Co. KG (Potsdamer Platz) | Allstar S.r.l. & Admiral Gaming Network S.r.l. | NOVOMATIC Italia S.p.A. | Admiral Interactive S.r.l. |
| Employee training                                  | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Protection of minors                               | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Information offering                               | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Contacts   | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Cooperation with therapy & counseling institutions | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Support for research institutes                    | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Helpline   | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Access control system                              | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Access restrictions                                | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Technical prevention measures                      | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |
| Active Responsible Entertainment communication     | ●                                  | ●                        | ●                                  | ●  | ●                        | ●  | ●  | ●                       | ●                          |

● implemented    ● currently not implemented

The measures shown correspond to or exceed local legal requirements. Only those companies are represented where operational player protection in the core business is relevant.

The following companies whose implementation is identical in each country are summarized as follows:

ADMIRAL Spielhallen Gesellschaften: Covers all operating companies in Germany not shown in this table.  
 NOVOMATIC Netherlands Operations: Casino Admiral Appelscha B.V., Casino Admiral Holland B.V., Casino Admiral Staff B.V., Casino Admiral Zeeland B.V., NOVOMATIC Exploitatie NL I B.V., NOVOMATIC Exploitatie NL II B.V., NOVOMATIC Services NL B.V., Recreatieprojecten Zeeland B.V., Rio Vught B.V., Super Game B.V.  
 NOVOMATIC Romanian Operations: Admiral Leisure SRL, Alea Leisure SRL, Intertop Leisure SRL, Novo Investment RO SRL, Novo VLTech Solutions SRL

- **Employee training:** Training with a focus on player protection and gaming addiction prevention for employees who have customer contact
- **Protection of minors:** In every gaming segment, the company ensures that minors are not allowed to use their products (the relevant local laws apply, e.g. no entry for anyone under the age of 18).
- **Information offering:** Customers are provided with information designed to raise their awareness of gaming addiction (e.g. self-check, information brochures, etc.). These are designed to support informed and responsible gaming.
- **Contacts:** Customers have access to contact information for the gaming facility manager or for Responsible Entertainment experts.
- **Support for research institutes:** Sponsoring activities and partnerships with research, therapeutic, and counseling institutions in order to improve gaming addiction prevention and player protection measures.
- **Counseling hotline:** Telephone hotline staffed by gaming addiction experts, among others, available to all customers seeking help.
- **Access control system:** System for collecting specific information in regards to player protection before the gaming device is used.
- **Access restrictions:** Measures implemented for limiting product use for specific people (e.g. vulnerable groups such as minors).
- **Technical prevention measures:** Measures to prevent problematic gaming (some but not all symptoms of gaming addiction are present).
- **Responsible entertainment dialog:** Measures for proactively communicating and entering into dialog with customers and other stakeholders regarding gaming addiction prevention and player protection.





NOVOMATIC also lobbied for a proactive approach to the issue of responsibility within the core business at various trade associations. Together with the members of The European Gaming and Amusement Federation (EUROMAT), NOVOMATIC developed principles of social responsibility within the industry that were adopted in 2018.

GRI 103-2, 417-1

The following sections describe Group management approaches for significant issues.

### Player Protection & Gaming Addiction Prevention

Player protection and gaming addiction prevention are central fields of action for Corporate Responsibility Management. They include all measures used for recognizing and preventing problematic gaming, and offering relevant help if required. This applies not just to gaming in electronic casinos, but also to sports betting, lottery, and online gaming. The Group has been recording measures implemented for these purposes.

These provide the basis for effective further player protection developments. And it has been worth the effort: specialists in the area of gaming addiction prevention gave NOVOMATIC a great rating as part of the stakeholder survey which took place in 2017. The company is doing excellent work in implementing legal requirements and in the area of player protection. The goal is to become the most responsible provider of gaming services and products in the world, and as such there are plenty of innovations planned for the future.

A recurring theme is the question of whether player protection and profit contradict each other. However, surveyed player protection experts and NOVOMATIC as a company do not believe this to be the case. Customers that enjoy gaming, and are able to and want to use NOVOMATIC products over the long term, are the basis for successful business. Every customer that displays problematic player behavior, and therefore is no longer allowed to play, is a customer lost. Effective and sustainable player protection is important for the customer's sense of wellbeing and is the basis of NOVOMATIC's business model.

| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020  |
|---|---|---|
| <b>PLAYER PROTECTION</b>  | <b>Principles:</b><br>Prevent problematic gaming and protect vulnerable groups  |   |
| <ul style="list-style-type: none"> <li>Approval of revised Group Responsible Entertainment-Code</li> <li>Expand G4 certification</li> <li>Expand the NOVOMATIC Biometric System™ and the LÖWEN CLEVER ENTRY system</li> </ul> | <b>Group:</b> <ul style="list-style-type: none"> <li>In 2019, the Group worked on revising the Group Responsible Entertainment Code</li> <li>At 56 % of Group revenue, the majority of largest subsidiaries have been certified under G4.</li> <li>Expand the NOVOMATIC Biometric Systems™ in Bulgaria, Italy, Croatia, Lithuania, Luxembourg, Macedonia, Montenegro, the Netherlands, Austria, Poland, Romania, Serbia, Spain, the Czech Republic</li> </ul> <b>Austria:</b> <ul style="list-style-type: none"> <li>First Austrian company to gain G4 player protection certification</li> <li>Introduce customer credit check for newly registered customers</li> </ul> | <b>Group:</b> <ul style="list-style-type: none"> <li>Communicate and roll-out the new Group Responsible Entertainment Code</li> <li>Expand G4 certification to Italy and Spain</li> <li>Workshop with representatives of Group departments for sensitivity training in regards to gaming addiction prevention</li> </ul> <b>Austria:</b> <ul style="list-style-type: none"> <li>ADMIRAL: Evaluate player protection measures</li> </ul> |

| GOALS 2019 HIGHLIGHTS 2019  | PLANNED 2020  |
|---|---|
| <p><b>Germany:</b></p> <ul style="list-style-type: none"> <li>• G4 player protection certification</li> <li>• Introduce workshops for internal multipliers for player protection</li> <li>• Revise social concept</li> <li>• Implement multiple training programs for player protection</li> <li>• Expand the core player protection team to cover all operative areas</li> <li>• Player protection training for management</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>• Project for raising awareness of gaming addiction prevention for secondary school and higher education students</li> <li>• Expand communication regarding player protection and gaming addiction prevention via the website and social media</li> <li>• Six employees participated in the Masters program "Public Play and Social Context" at the University of Salerno</li> </ul> <p><b>Spain:</b></p> <ul style="list-style-type: none"> <li>• Introduce a new Player Protection Code for operative business</li> <li>• Introduce new access controls to improve protection of minors</li> </ul> <p><b>United Kingdom:</b></p> <ul style="list-style-type: none"> <li>• First UK company to gain G4 player protection certification</li> </ul> <p><b>The Netherlands:</b></p> <ul style="list-style-type: none"> <li>• First company in the Netherlands to gain G4 player protection certification</li> <li>• Improve addiction prevention policy, above and beyond what is required by law</li> <li>• Introduce interactive Infopoints for customers in order to provide information regarding player protection (e.g. self test, help with problematic player behavior, etc.)</li> <li>• Introduce a 'personal limit card' in order to make it easier to set and control limits for money spent on gaming</li> </ul> <p><b>North Macedonia:</b></p> <ul style="list-style-type: none"> <li>• Introduce the NOVOMATIC Biometric Systems™ for preventing youth and banned players from accessing locations</li> </ul> <p><b>Online:</b></p> <ul style="list-style-type: none"> <li>• First Austrian online company to gain G4 player protection certification</li> </ul> | <p><b>Germany:</b></p> <ul style="list-style-type: none"> <li>• Introduce a new terminal for access control in casinos and catering areas</li> <li>• Introduce new social concept</li> <li>• Expand player protection measures (e.g. banning players, time limits, advisory service for guests)</li> <li>• Comprehensive introduction of the CLEVER ENTRY access control system</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>• G4 player protection certification</li> <li>• New employee player protection training program</li> </ul> <p><b>Spain:</b></p> <ul style="list-style-type: none"> <li>• G4 player protection certification</li> <li>• New employee player protection training program</li> </ul> <p><b>United Kingdom</b></p> <ul style="list-style-type: none"> <li>• Test run of 'Gambelwise' player protection tools for customers</li> <li>• Roll-out refresher e-learning player protection courses for employees</li> </ul> <p><b>Serbia:</b></p> <ul style="list-style-type: none"> <li>• Player protection training courses for new employees and support for a publication on the subject</li> </ul> <p><b>North Macedonia:</b></p> <ul style="list-style-type: none"> <li>• Revise player protection policy</li> </ul> <p><b>Online:</b></p> <ul style="list-style-type: none"> <li>• Improve the player protection online monitoring system via a new software solution</li> </ul> |

**G4 certifications within the Group**

In 2019, CR management once again placed its focus on improving player protection. Arguably the most far reaching measure is the start of certification procedures for the most important Group companies in accordance with the international player protection standard set by the Global Gambling Guidance Group (G4). This exceeds legal requirements and specialists consider it the most accepted player protection standard in the world. Multiple concrete measures are checked before the certification is awarded.

These include internal company Guidelines and Codes of Conduct, quality checks on training for personnel, proof of age, information for customers regarding the risks of gaming, or options for limiting playing time or banning a customer completely.



**Certification degree of G4 player protection standard**

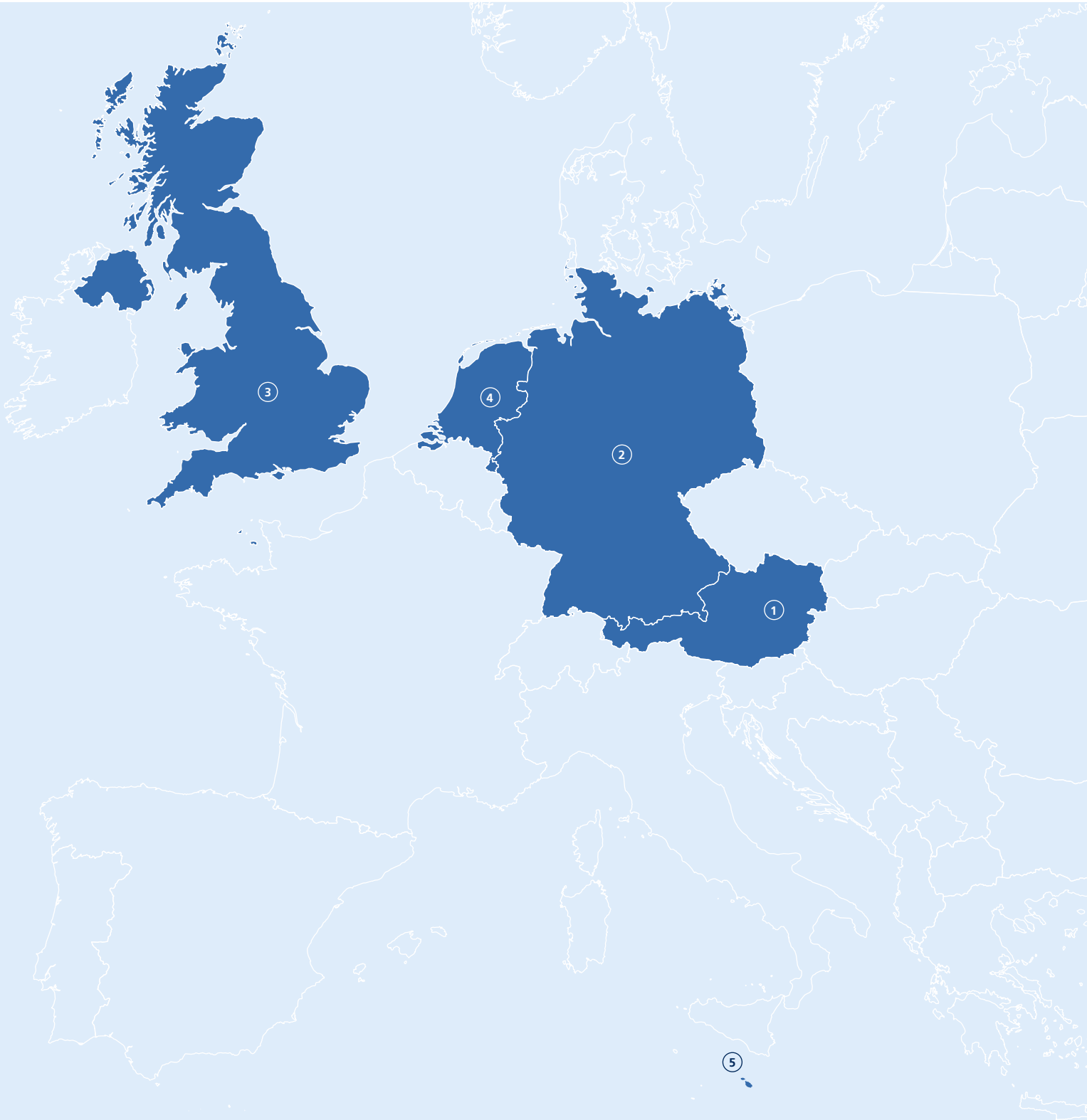
| Country                | Company   | Certified since |
|------------------------|---|-----------------|
| <b>Austria</b>         | NOVOMATIC AG                                    | 8/27/2019       |
|                        | ADMIRAL Casinos and Entertainment AG            | 4/25/2019       |
|                        | ADMIRAL Sportwetten GmbH                        | 4/25/2019       |
|                        | Greentube Internet Entertainment Solutions GmbH | 8/27/2019       |
| <b>Germany</b>         | LÖWEN ENTERTAINMENT GmbH                        | 6/19/2019       |
|                        | ADMIRAL Entertainment GmbH                      | 6/19/2019       |
|                        | Spielbank Berlin GmbH & Co. KG                  | 11/28/2019      |
| <b>The Netherlands</b> | NOVOMATIC Netherlands                           | 11/29/2018      |
| <b>United Kingdom</b>  | RAL Ltd.  | 5/16/2019       |
|                        | Luxury Leisure Ultd.                            | 5/16/2019       |
| <b>Malta</b>           | Greentube Malta Ltd.                            | 8/27/2019       |

**Significant Group companies certified in accordance with highest player protection standard**

NOVOMATIC and its major subsidiaries, making up 56 % of the Group's total revenue, were recognized in 2019 for responsible protection of players and minors by the Global Gaming Guidance Group (G4). This makes NOVOMATIC the first gaming technology group in the world to successfully certify most business areas – from terrestrial slot arcades and casinos, sports betting, online gaming and technology development – as a producer and operator.

Ynze Remmers, Lead Auditor at the Global Gambling Guidance Group: *"I am very pleased that the majority of the NOVOMATIC AG Group has already been certified in accordance with the G4 standard, within just one year."*

Eleven G4 certifications in five countries



① Austria

② Germany

③ United Kingdom

④ The Netherlands

⑤ Malta

**G4 Player Protection Certification Criteria**

**Responsible Gaming Code of Practice:**  
Code of conduct regarding player protection.

**Responsible Gaming Mission Statement:**  
Clear commitment to comprehensive player protection by company management.

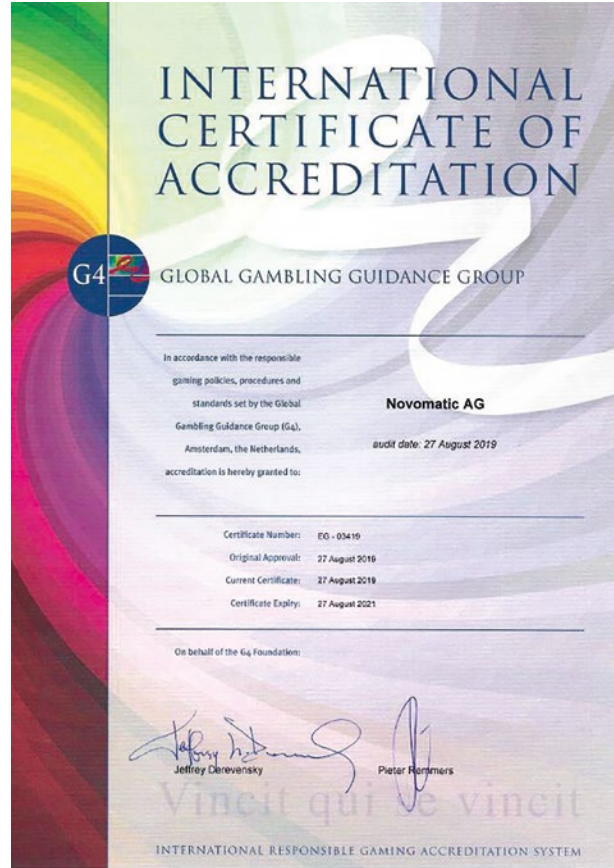
**Corporate Standards:**  
Minimum standards for licensing, auditing, playing on credit, money laundering prevention, data protection, dealing with complaints, research, including stakeholders, guidelines.

**Operational Code of Practice:**  
Rules regarding age verification, information on player protection, advertising and marketing, rewards and incentives, employee training, free games, customer registration, taxes on gaming pools.

**Player Protection Tools:**  
Implementation of reality checks, information on the game, limits, self-suspension, suspension from specific products, identifying problematic player behavior.

**Staff and Problem Gambling:**  
Implementation of an employee assistance program.

**Player Protection Framework:**  
Documentation of all player protection measures.



GRI 416-1

**Responsible Gaming**

Responsibility begins with technical player protection. NOVOMATIC AG, with headquarters in Gumpoldskirchen (Austria), is one of the world's leaders of both research and development on and the production of gaming machines. One NOVOMATIC innovation in the area of Responsible Entertainment is the NOVOMATIC Biometric System™ (NBS). This biometric access system allows authentication of customer identity using a fingerprint, thus also automatically registering the age of the guest. This measure means that the customer can use every gaming device without a customer card or password. Customers can also use payout machines and catering offers in this

manner. The advantage for player protection is the unique allocation of biometric data to a registered guest. This means vulnerable groups such as minors and also customers who have been banned from the location can be quickly identified and excluded. NBS face recognition is currently mainly used in the gaming area and at the payout machines. The program uses an NFC token for identification, while face recognition is verification. A positive side effect: unique recognition is also a more effective measure for preventing money laundering. Every existing casino system can be equipped with NBS. The NBS system was introduced or tested in 2019 in the following countries: Bulgaria, Italy, Lithuania, Luxembourg, Macedonia, the Netherlands, Poland, Romania, Spain and Malta.

### Countries that have introduced NBS products



#### Successful test of Gamblewise responsible gaming tools

In 2019, NOVOMATIC UK was the first casino operator in the UK to test the Gamblewise Responsible Gaming Tool and make a commercial arrangement to introduce it across the country. This mobile application allows customers to manage the time they spend gaming. The app encourages customers to set a personal limit for the amount of time they spend on gaming activities. When they enter gaming locations that have been equipped with a Bluetooth receiver, the app registers the time they spend there. It issues a warning once the time limit they have set has been reached. It is also possible to view statistics regarding the number of visits, time spent gaming, etc.





### Introduction of the 'Play Well' gaming limit card

In the Netherlands, ADMIRAL has introduced a 'Play Well' card which allows customers to set a personal limit. They can use the card to better control their own gaming behavior and the amount they spend. The card is small enough to carry at all times and does not require the user to meet any technical requirements (e.g. downloading an app to their phone).



### Responsible sports betting

NOVOMATIC operates sports betting branches in Austria and Germany and also offers sports betting online and on the go.

NOVOMATIC's subsidiary ADMIRAL Sportwetten GmbH (ASW) runs over 260 facilities in Austria. The relaunch of its website introduced, in addition to a more modern design, significant improvements in customer security. Customers have the option of limiting the amount they can bet and, therefore, take personal responsibility for adjusting their betting behavior. In addition to information brochures, such as the customer folder "Responsible Entertainment – tips for responsible handling of sports betting", it provides contact to support and therapy facilities. The ASW customer card helps to guarantee comprehensive player protection.

The Responsible Betting Codex serves as a guideline on responsible betting for employees. It includes important principles that employees must follow. All employees receive the Codex when they are hired and it is also the subject of many employee training sessions.

ADMIRAL Sportwetten, the German subsidiary of LÖWEN ENTERTAINMENT GmbH, has been offering sports betting in the premium segment under the brand name ADMIRALBET since 2017. The company is based in Rellingen and is therefore the only private sports betting provider with a company headquarters located in Germany. In addition to sports betting facilities all over Germany, it also offers a comprehensive online portfolio. The ADMIRAL Sportwetten social concept includes all player protection measures. It creates a framework for action that bundles the legal requirements under the German State Treaty on Gaming, the implementation laws passed by the German states, and ADMIRAL Sportwetten's own goals. The concept includes clear rules and instruments designed to further protection of players and minors and encourage prevention work. ADMIRAL Sportwetten works with the independent Society for Player Protection and Prevention mbH (GSP) to implement player protection via training programs, workshops and other means of gaining qualifications.

**Online Gaming Responsibility**

All around the world, the online gaming market is growing. However, in addition to new gaming options, it also presents challenges for preventing problematic gaming behavior. At the same time, technical possibilities open up new paths to player protection.

One example is the player protection measures implemented by the Austrian company Greentube Internet Entertainment Solutions GmbH, the Maltese company Greentube Malta Limited, and the UK company Greentube UK Limited. Greentube uses a technical system to identify and report problematic player behavior during online gaming. Employees use

this information to carry out a detailed check of the player's profile from the point of view of gaming addiction prevention, as well as for preventing money laundering. In the event of behavior deemed problematic, the customer is contacted by experts so that additional measures can be taken. As a developer of online gaming solutions, Greentube also equips its products with technical player protection solutions, such as time limits, betting limits, or self-suspension options. Implementation was carried out by an interdisciplinary team made up of experts for Responsible Gaming, Customer Service employees, Compliance employees, as well as Brand Management employees.

 Greentube Responsible Gaming: [www.greentube.com/csr/](http://www.greentube.com/csr/)

**Responsible Marketing**

Responsible marketing for the products and services provided by NOVOMATIC and its core companies is another important aspect of Responsible Entertainment. The basics of responsible marketing are described in the Group's Responsible Entertainment Codex.

An example of the implementation of these principles at ADMIRAL Casinos & Entertainment AG is that no vulnerable groups are targeted as part of events, promotional activities, or any other marketing measures. The company does not place ads in media that are directed primarily at minors. In addition, every advertisement contains the player protection logo, information on the minimum player age, notes on playing responsibly, and contact information for a free counseling hotline.

Not only that, the company takes care, when using communication channels such as social media, to comply with regulations designed for the protection of minors.

| GOALS 2019   | HIGHLIGHTS 2019   | PLANNED 2020   |
|--|---|--|
| <p><b>RESPONSIBLE MARKETING</b></p> <ul style="list-style-type: none"> <li>Improve implementation of Responsible Marketing principles</li> </ul> | <p><b>Principles:</b><br/>Compliance with Group principles regarding responsible marketing</p> <hr/> <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>The Group's Responsible Entertainment Code was revised in 2019, the Responsible Marketing Principles were also revised as part of this process.</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>Communication and roll-out of the new Group Responsible Entertainment Code including Responsible Marketing Principles</li> <li>Implementation of Responsible Marketing Principles in Group communications and on social media</li> </ul> |





# ALWAYS COMPLIANT

This section provides a summary of the most important results and measures described in this chapter.

## TAKING ON RESPONSIBILITY

- “We implement systems that support our legal compliance and act in accordance with the standards set out in the Code of Conduct.”
- “We are all required to make every effort to identify and prevent any and all fraudulent and criminal behavior within the company.”
- “We ensure that our customers’ and stakeholders’ data protection rights are always taken care of.”

## CORPORATE RESPONSIBILITY RISKS

- Loss of license due to violation of player protection standards
- Lawsuits due to player protection violations
- Violation of Code of Conduct
- Occupational safety and health violations
- Violation of employee rights
- Fire damage
- Pollution
- Violation of sponsoring and donation principles



**0**  
confirmed corruption cases  
within the Group



**20**

Compliance Managers took part  
in the 3<sup>rd</sup> NOVOMATIC Legal  
Compliance Manager Day

## THE CODE OF CONDUCT PROVIDES INFORMATION ON

- Basic rules of conduct
- Responsibility to our customers
- Treatment of business partners and other third parties
- Ways to do business
- Company property, confidentiality, and property rights
- Dealing with conflicts of interest
- Correct reporting and data protection
- Money laundering
- Environmental protection
- Contact
- Outlook and consequences in the event of violations

# ALWAYS COMPLIANT

The Group Legal, Group Legal Compliance, Group Risk Management, and Group Internal Audit departments ensure that all legal requirements are met. One major aspect of this is ensuring the Group engages only in those business activities that can be carried out ethically and responsibly.

It goes without saying that it also complies with all legal requirements and framework conditions. To ensure that this is true, the company identifies all significant financial and non-financial risks at an early stage, evaluates them, and minimizes them using suitable measures. The Group Legal, Group Legal Compliance, Group Risk Management, and Group Internal Audit departments are responsible for providing legal certainty.

## Group Legal & Group Legal Compliance

The Group Legal Team (Group Legal Department) is the point of contact for all Group specialist departments and therefore the port of call for legal questions of all types. The focus here is on the review and preparation of contracts, as well as providing comprehensive legal support for projects and processes. This applies in particular to the areas of mergers and acquisitions, finance, capital measures, or even business development.

In addition, Group Legal is responsible for industrial property rights. This covers all legal tasks, including enforcement measures related to technical and non-technical trademarks.

Group Legal Compliance is focused on preventative measures, with the goal of reducing or completely avoiding the risk of breaching legal provisions, in particular in the areas of anti-corruption, data protection, money laundering prevention, as well as capital market law. To achieve this goal, the team translates legal requirements into preventative measures.

These include, for example, Group-wide binding guidelines, guidelines on instruction manuals, implementation of in-person training sessions, and Group-wide e-learning programs.

Every important company subsidiary has local compliance officers, one per country and region. The relevant duties for local compliance managers are defined in a separate Group guideline. All local compliance measures are documented via regular reports. In addition, Compliance Committees make suggestions for improving the Compliance Management System (CMS).

The goal of the NOVOMATIC CMS is to guarantee compliance with legal regulations and company values. This is part of the Code of Conduct, which is binding for all NOVOMATIC Group employees (including the Executive Board and the Supervisory Board). Binding Group regulations are created to solidify the Code of Conduct, taking into account the legal framework and a risk-based approach (one example is the Group anti-corruption guidelines).

These goals are supported by in-person training sessions and creation of E-learning modules. Local compliance managers have prescribed reporting duties to encourage compliance with Group standards. The CMS is based on the seven core elements laid out in the German audit standard for compliance management systems IDW PS 980, which is considered a good practice approach.

 IDW PS 980 [www.idw.de](http://www.idw.de)

The whistleblowing hotline serves to identify violations of legal requirements or the internal Code of Conduct. Any employee can use this hotline to report violations of the Code of Conduct or the law. The report can be made openly or anonymously. The information is then discussed by the Compliance Committee, who determines the next steps. If required, the committee will prepare suggestions for the Executive Board and the Supervisory Board. Every employee, upon beginning their employment, receives a copy of all the important guidelines and documents, such as the Code of Conduct, Responsible Entertainment Code and, the safety guidelines for their location.

 GRI 102-17

### Risk Management

The Group division Risk Management & Insurance is responsible for risk management at NOVOMATIC AG. The division introduced a process, based on international approaches in this segment, for identifying and evaluating Group risks, as well as controlling and monitoring them.

This centrally managed risk management approach is designed to ensure that all risks are recognized and analyzed early on and then managed and controlled in a meaningful manner. Discussion and analysis of uncertainties regarding operative and strategic issues within the Group is designed to increase awareness of these issues, as well as increase transparency surrounding processes and value streams. Risk

management encompasses not just those financial, operational, or strategic risks listed in the Notes for this Annual Report, but also non-financial aspects, such as securing licenses by way of comprehensive player protection concepts or environmentally conscious use of resources. However, risks in various categories can overlap or be mutually dependent on one another, thus the goal is a holistic, integrated umbrella strategy for risk management.

The Group company and business segment executives are responsible for continuous observation of the risk situation, as well as the active management thereof. Risk officers define measures for managing risks. New risks are documented and re-evaluated at regular intervals. The central Risk Management department takes on a consulting and coordinating role while ensuring continued development of the risk management system.

In 2017, ecological and social risks were recorded for the first time. These types of risks were identified by experts from all relevant departments on a Group level. They were then evaluated by the Corporate Responsibility (CR) officers in each subsidiary.

The risks are aggregated and summarized in an easy to digest form in a centrally managed corporate responsibility risk matrix. The issues contained therein are also part of risk management for the entire Group (Enterprise Risk Management).

The following risks within the corporate responsibility matrix include only topics related to corporate social responsibility.

### 3<sup>rd</sup> NOVOMATIC Legal Compliance Manager Day

NOVOMATIC AG Group's yearly Group Legal Compliance Manager meeting took place on November 11, 2019 in Vienna. 20 compliance managers from Europe and overseas took part in the event. The focus this time was on practical exercises based on fictional cases regarding classic compliance issues, such as money laundering prevention (AML), anti-corruption, conflicts of interest, as well as data protection. Potential solutions were developed and subsequently discussed in the group. Additional content included results from the Group-wide Compliance Assessment, practical implementation of risk-based Know Your Counterparty (KYV) due diligence audits, as well as the new ad-hoc reporting requirements introduced in 2019 for subsidiaries.



### NOVOMATIC: Statement on accusations regarding the appointment of a former Casinos Austria AG executive board member

Regarding the anonymous accusations against NOVOMATIC AG on the appointment of a former member of the Casinos Austria AG board, we would like to make the following statement:

- NOVOMATIC AG has been and will continue to be transparent and cooperative in regards to the clarification of the situation together with the investigative authorities.
- The accusations made within the anonymous complaint have been expressly and justifiably rejected by all affected persons, including NOVOMATIC AG.
- Please note that the appointment of gaming licenses or agreements in Austria is possible only within a legal framework, and within said framework only as part of an international, transparent, and public tender or search for interested parties.
- Every license/agreement granted by the authorities in this segment is therefore subject to a special appeals process open to any unsuccessful party, which includes an inspection of the relevant records. This ensures that all legal protections are maintained and that any partisan appointment is impossible.
- All licenses/agreements obtained by the company in the past, in particular those for operating state-licensed facilities with gaming terminals in Austria, have been obtained solely thanks to the many years of experience and expertise the company can demonstrate within this segment, and because the company put forward bids containing the best, officially recognized player protection and additional concepts, and were obtained only after a relevant follow-up inspection by the courts.

| Significant fields of action                      | Risks   | Effect on NOVOMATIC  |
|---|---|--|
| Player protection & responsible marketing         | Loss of license due to violation of player protection standards | <ul style="list-style-type: none"> <li>• Market limitation</li> <li>• Possible fines</li> <li>• Lawsuits brought forward by players</li> <li>• Worsening ESG Ratings</li> <li>• Damage to the corporate image</li> </ul> |
| Player protection & responsible marketing         | Lawsuits due to violation of player protection standards        | <ul style="list-style-type: none"> <li>• Legal consequences</li> <li>• Possible fines</li> <li>• Worsening ESG Ratings</li> <li>• Damage to the corporate image</li> </ul>   |
| Corruption & Money Laundering Prevention          | Code of Conduct (CoC) Violations                                | <ul style="list-style-type: none"> <li>• Legal consequences</li> <li>• Worsening ESG Ratings</li> <li>• Damage to the corporate image</li> </ul>   |
| Occupational safety & employee health             | Work safety and health incidents                                | <ul style="list-style-type: none"> <li>• Lawsuits brought by employees</li> <li>• Legal consequences</li> <li>• Worsening ESG Ratings</li> <li>• Damage to the corporate image</li> <li>• Production downtime</li> </ul> |
| Employee Diversity & Equality<br>Human rights     | Violation of employee rights                                    | <ul style="list-style-type: none"> <li>• Lawsuits brought by employees</li> <li>• Legal consequences</li> <li>• Worsening ESG Ratings</li> <li>• Damage to the corporate image</li> </ul>                                |
| Occupational safety & employee health<br>Security | Fire damage   | <ul style="list-style-type: none"> <li>• Legal consequences</li> <li>• Financial damages</li> <li>• Damage to the corporate image</li> <li>• Production downtime</li> </ul>  |
| Resource use & waste reduction                    | Pollution   | <ul style="list-style-type: none"> <li>• Legal consequences</li> <li>• Financial damages</li> <li>• Worsening ESG Ratings</li> <li>• Damage to the corporate image</li> </ul>  |
| Sponsoring activities & donations                 | Violations of sponsoring and donation principles                | <ul style="list-style-type: none"> <li>• Legal consequences</li> <li>• Worsening ESG Ratings</li> <li>• Damage to the corporate image</li> </ul>   |

Once measures for mitigating the risks in each area have been put into place, then these risks can turn into opportunities. For example, proactive player protection can help ensure better conditions for attaining licenses. A very low accident, illness, or energy consumption rate as compared to the rest of the industry improves cost efficiency and leads to better environmental, social, and governance ratings.

Additional information on major risks can be found in the Risk Management Chapter of the Management Report.

 GRI 103-2

| Effect on interests  | Risk mitigation measures  |
|--|---|
| Social concerns: Damage to customer health   | <ul style="list-style-type: none"> <li>• Compliance, licensing, and responsible entertainment (RE) management</li> <li>• Group wide player protection policy</li> <li>• Internal audits regarding compliance with the law, with licensing criteria and with internal guidelines</li> <li>• External certification (e.g. G4, TÜV)</li> </ul> |
| Social concerns: Damage to customer health   | <ul style="list-style-type: none"> <li>• Compliance, licensing, and RE management</li> <li>• Group wide player protection policy</li> <li>• Internal audits regarding compliance with the law, with licensing criteria and with internal guidelines</li> <li>• External certification (e.g. G4, TÜV)</li> </ul>                             |
| Fighting corruption and bribery:<br>Disciplinary measures for employees, penalties under civil or criminal law | <ul style="list-style-type: none"> <li>• Compliance Management (e.g. training sessions, E-learning programs, workshops)</li> <li>• Group anti-corruption guidelines</li> <li>• Internal audits on compliance with CoC</li> </ul>  |
| Employee issues: Damage to employee safety or health   | <ul style="list-style-type: none"> <li>• Work safety and health management</li> <li>• Internal audits on compliance with legal requirements</li> <li>• External certification (OHSAS 18001/ISO 45001)</li> </ul>  |
| Employee issues: Violations to human rights (e.g. employee rights such as equal treatment, employment law)     | <ul style="list-style-type: none"> <li>• HR, Equal Opportunities &amp; Diversity Management</li> <li>• Internal audits on compliance with legal requirements</li> <li>• External certification (related to HR)</li> </ul>   |
| Employee issues: Damage to employee safety or health<br>Environmental concerns: Fire damage                    | <ul style="list-style-type: none"> <li>• Quality, environmental, and occupational safety management</li> <li>• Internal audits on compliance with legal requirements</li> <li>• External certifications (ISO 9001, ISO 14001, OHSAS 18001/ISO 45001)</li> </ul>   |
| Employee issues: Damage to employee safety or health<br>Environmental concerns: Damage caused by pollution     | <ul style="list-style-type: none"> <li>• Quality, environmental, and occupational safety management</li> <li>• Internal audits on compliance with legal requirements</li> <li>• External certifications (ISO 9001, ISO 14001, OHSAS 18001/ISO 45001)</li> </ul>   |
| Fighting corruption and bribery; social concerns:<br>Money utilized ineffectively or incorrectly               | <ul style="list-style-type: none"> <li>• Compliance, donation, &amp; sponsoring management</li> <li>• Internal audits on compliance with legal requirements</li> </ul>  |

**Internal Audit**

The internal audit checks compliance with Group rules (e.g. Group guidelines, Code of Conduct, data protection, responsible gaming), as well as the internal control and risk management system.

The goal is to recognize deficits early on and provide suggestions for improvement. Individual audits are carried out based on audit plans approved by the Executive Board and the Supervisory board, and supplemented by special audits. The audit reports include recommendations and measures for improvement. Periodic follow-ups ensure that suggested improvements have been implemented.

The following sections describe the management approach to material issues.

**Corruption & Money Laundering Prevention**

NOVOMATIC is dedicated to always acting fairly, honestly, and respectably in all business and social activities. The Anti-Corruption Group Guideline defines strict regulations that apply to all Group companies and employees. The goal of the guideline is to prevent corruption before it happens. That is why the Anti-Corruption Group Guideline contains specific conduct obligations and value limits for certain business activities (for example offering or accepting gifts, invitations to events). As such, providing money or in-kind donations to political or non-political organizations is subject to very strict conditions in regards to transparency and documentation. Not only that, exceeding certain value thresholds requires a recommendation from the Compliance Committee as well as approval from the NOVOMATIC AG Executive Board.

| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020   |
|---|---|--|
| <p><b>CORRUPTION &amp; MONEY LAUNDERING PREVENTION</b></p> <ul style="list-style-type: none"> <li>• Implement risk-based preventative measures and Group-wide reporting requirements</li> <li>• Continue in-person training sessions and support for local compliance managers</li> </ul> | <p><b>Principles:</b><br/>Prevent corruption and money laundering</p> <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>• Launch a comprehensive, Group-wide Compliance Management Assessment</li> <li>• Third Group Legal Compliance Manager Day</li> <li>• Implement risk-based preventative measures and Group-wide reporting requirements based on Group guidelines</li> <li>• Continuous in-person compliance training sessions</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>• Evaluate and follow-up on Compliance Management Assessment 2019</li> <li>• Increase anti-corruption measures (e.g. e-learning)</li> <li>• Group Legal Compliance Manager Days with focus on practical case solutions</li> <li>• Continue in-person compliance training sessions</li> </ul> |



Compliance with Group guidelines requirements must be confirmed by Group subsidiaries via semi-annual reports. Any situations that are criminal or require reporting must be reported as they are discovered to Group Legal Compliance. Based on the existing reports, there was no confirmed case of corruption within the Group in 2019.

The issue of anti-corruption is an important segment in the Group-wide e-learning program, primarily aimed at management, which focuses on the NOVOMATIC AG Code of Conduct.

In 2019, members of the executive (NOVOMATIC AG Executive Board and Supervisory Board) were informed as part of regular compliance reports as to the results of the Group-wide compliance notifications and procedures as related to anti-corruption measures, and agreed on specific measures for improving Group-wide compliance management.

Local management teams must inform all employees as to the binding, Group-wide anti-corruption guidelines. Local implementation of these regulations is checked during the Group audit. Selected managers were trained using e-learning programs on the rules listed in the Group anti-corruption guidelines. The Supervisory Board does not receive this training. Contracts with business partners contain information regarding the binding Code of Conduct and regulatory rules for fighting corruption. Business partners are urged to comply with these regulations.

Potential local risk areas are identified based on a CMS risk-based management model as part of regular and Group-

wide Compliance Management Assessments carried out by Group Legal Compliance, and suitable measures for minimizing risks are requested in the form of action plans.

In the area of money laundering prevention, risk-based regulations are further fleshed out, audit processes are expanded and Group-wide reporting requirements are enhanced on a continual basis. Compliance with Group Guidelines, which deal with minimum requirements for payment transaction and accounting processes, as well as assessing contracting partners and reporting, were evaluated as part of the 2019 Compliance Management Assessment.

The Group Legal Compliance department provides methods for ensuring a risk-based audit of contracting partners. Due diligence questionnaires, designed in-house, help provide adequate transparency regarding the identity and integrity of potential contracting partners. Online screening tools that were rolled out across the Group aid in ensuring defined standards are maintained when complying with legal audit obligations, in particular international economic sanctions.

Newly hired employees receive basic training on relevant compliance issues. Special compliance training sessions are part of the NOVOMATIC training catalog every year, the contents of which are available to NOVOMATIC AG employees as well as employees of the Austrian subsidiaries ADMIRAL Casinos & Entertainment AG and ADMIRAL Sportwetten GmbH.

 GRI 205-2, -3

 SDG 16.5



## Data Protection

On the Group level, a Data Protection Advisory Board has been established that manages implementation of rules and duties as set out in the General Data Protection Regulation (GDPR) and provides measures for improving the Group-wide Data Protection Management System (DMS) based on regular data protection reports. The Board is made up of the Chief Executive Officer and

Chief Financial Officer of NOVOMATIC AG. In addition, it is responsible for setting key strategies for Group-wide compliance with requirements under the GDPR.

The Group also created a Data Protection Committee, which consists of the Chief Information Officer, Chief Information Security Officer, and Data Protection Officer. This committee works on recommendations designed to support local data protection managers within the NOVOMATIC AG Group.

| GOALS 2019  | HIGHLIGHTS 2019  | PLANNED 2020  |
|---|--|---|
| <b>DATA PROTECTION</b>  | <b>Principles:</b><br>Guarantee protection for personal data from customers, employees, and partners   |   |
| <ul style="list-style-type: none"> <li>Introduce regular data protection reports</li> </ul> | <ul style="list-style-type: none"> <li>Group-wide roll out of an e-learning program on data protection</li> <li>Adjust the new Data Protection Handbook to match the General Data Protection Regulation (GDPR)</li> <li>Establish a Group-wide, comprehensive, and regular reporting system</li> </ul> | <ul style="list-style-type: none"> <li>In-person data protection training</li> <li>Continuous evaluation of the Group-wide semi-annual report</li> <li>Stipulation of data protection measures for complying with GDPR requirements</li> <li>Continuous expansion of the e-learning program on data protection</li> </ul> |

To ensure continuous compliance with GDPR regulations, local data protection officers have access to a variety of guidelines such as the Data Breach Notification Policy, process descriptions and contract templates, as well as IT applications. An E-learning program has been rolled out for Group-wide training for employees involved in data processing, and must be completed by new employees.

Since its establishment, NOVOMATIC has had an information security management system (ISMS) in place, certified in accordance with the international ISO standard ISO/IEC

27001. This standard describes, in 114 points, which requirements must be fulfilled in order to receive official certification. The most important requirements include structural and personal safety measures, compliance regulations, and measures to ensure operational and network security.

 ISO standard ISO/IEC 27001:  
[www.iso.org/isoiec-27001-information-security.html](http://www.iso.org/isoiec-27001-information-security.html)

 GRI 418-1  
 SDG 16.3

## Security

Current risks and threats – in particular regarding communication infrastructure, real estate security, personal protec-

tion, etc. – mean that the safety team are faced with more new and complex challenges than ever before, for which normal defense strategies and counter-measures may no longer offer adequate protection.

| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020   |
|---|---|--|
| <p><b>SECURITY</b></p> <ul style="list-style-type: none"> <li>• Create a Security &amp; Safety Committee as a consulting tool for the Executive Board</li> <li>• Maintain security measures for facilities</li> </ul> | <p><b>Principles:</b><br/>Effective and efficient management of safety challenges.</p> <ul style="list-style-type: none"> <li>• Introduce the NOVOMATIC Security &amp; Safety Committee (SSC) for improving Group-wide safety</li> <li>• Comprehensive analysis of current status</li> <li>• Develop a master plan for consistent security and safety frameworks and standards</li> <li>• Establish a Security &amp; Safety Expert Network within the core markets</li> <li>• Develop a good practice model for dealing with emergencies and crises</li> <li>• Networking and experience exchange with national and international security managers and experts in the industry, as well as from academia and manufacturing (e.g. ÖBB, ERSTE BANK, ISP, WU-Vienna, etc.)</li> </ul> | <ul style="list-style-type: none"> <li>• Expand the SSC expert network and improvement of safety culture</li> <li>• Maintain local security measures</li> <li>• Establish an integrated, software-supported Critical Incident Reporting System (CIRS)</li> <li>• Establish Crisis &amp; Emergency Response Teams (NOVOMATIC-CERT)</li> <li>• Implement simulation games</li> <li>• International meeting for connecting company security and safety stakeholders</li> <li>• Anchoring the subject of security and safety in the Group's organizational structures and processes</li> </ul> |

The NOVOMATIC Security & Safety Committee (SSC) was founded to effectively and efficiently manage these challenges. The aim is for the committee to work with the relevant line officers to better bundle the existing expertise within the Group and to structure and optimize the flow of information, as well as to develop and implement effective measures based on current needs. The following Group-wide safety areas have been defined for this task:

- Risk management
- Health & safety management
- Security management

- Compliance management
- IT security management
- Emergency and crisis management

The core SSC tasks are coordinated with the relevant leaders of the Competence Centers listed above and are largely focused on establishing an internal network of experts, developing Group-wide unified frameworks, standards, strategies, guidelines, processes, as well as the associated reporting and monitoring mechanisms for security and safety issues (plan-do-check-act).

Initially, the SSC and the corresponding Competence Centers will focus on the core markets in Germany, Italy, Spain, as well as the Balkan regions. In terms of NOVOMATIC AG, the SSC

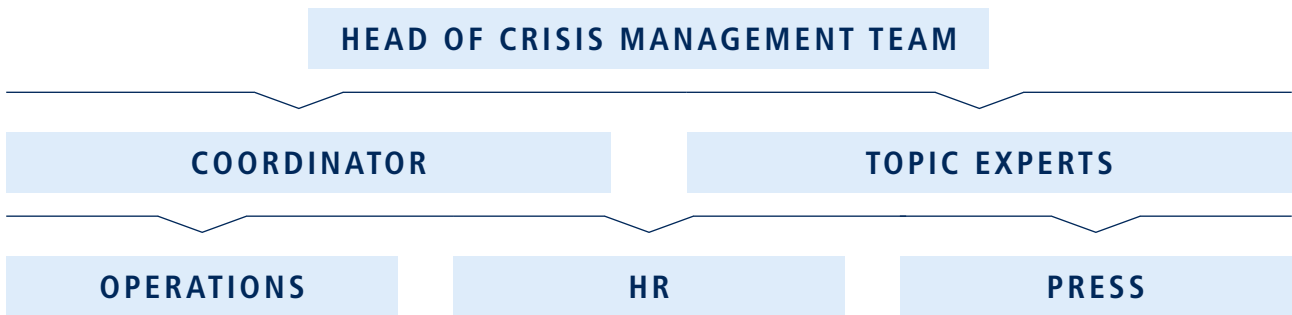
will function as an administrative department for the Executive Board and is part of the Group segment Compliance, Internal Audit & Data Protection.

### Good practice model "Emergency and Crisis Management"

One central aspect of complex integrated security management tasks is the area of expertise known as emergency and crisis management as well as all associated tasks.

The focus is on strategic and conceptual measures for limiting damage before, during, and after an event that, in the worst case scenario, could threaten NOVOMATIC's business continuity.

Emergency and crisis management ('Response') deals with the organization's rapid and correct response to a serious incident. The spotlight is on raising the alarm and on the crisis group that will, in the future, work using a structured process to deal with any emergencies (NOVOMATIC CERT – Crisis & Emergency Response Teams)



Implementation of a praxis-based Emergency and Crisis Management team based on the ISO 31000 and ONR 49002-3 standards, knowledge of risk management, and expertise from employees is intended, in particular, to ensure that the company will survive any emergency or crisis situation.

### Avoiding Abusive Product Consumption and Fraudulent Competition

The often imprecise media opinions regarding the division between legal and illegal gaming options present a particular chal-

lenge. They mean that the negative effects of illegal gaming are rarely compared objectively to the advantages and necessity of legal and regulated gaming services.

| GOALS 2019   | HIGHLIGHTS 2019  | PLANNED 2020   |
|--|--|--|
| <p><b>AVOIDING ABUSIVE PRODUCT CONSUMPTION &amp; FRAUDULENT COMPETITION</b></p> <ul style="list-style-type: none"> <li>• Continue working well with authorities</li> </ul> | <p><b>Principles:</b></p> <ul style="list-style-type: none"> <li>• Contribute to avoiding abusive product consumption</li> <li>• Stand up for fair competition</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Work together with authorities regarding requirements related to unfair competition and trademark violations</li> </ul> | <ul style="list-style-type: none"> <li>• Continue working well with authorities</li> </ul> |

NOVOMATIC clearly and firmly distances itself from any and all illegal and unregulated gaming services. The company believes that gaming is a delicate service that requires clear legal framework conditions. Therefore, NOVOMATIC, as a responsible company, is playing a major role in the fight against illegal gaming, in particular in the form of private enforcement. This refers to enforcement under private law of requirements based on the laws against unfair competition

and the Markenschutzgesetz (Law on Protection of Trade Marks). The goal is to prevent unfair market practices and abusive use of NOVOMATIC products and services.

These claims provide support for authorities in implementing current law; not only that, NOVOMATIC thereby makes a major contribution to the protection of players and minors.

### Supplier Responsibility

Products from suppliers are an essential part of the production process. This is important, because risks associated with supplier's products can also become NOVOMATIC's risks. In

order to minimize the risks connected to business partners within the supply chain, NOVOMATIC requires all suppliers to commit to compliance with the law and to reject corruption.

| GOALS 2019   | HIGHLIGHTS 2019  | PLANNED 2020  |
|--|--|---|
| <b>SUPPLIER RESPONSIBILITY</b>   | <b>Principles:</b><br>Prevent ecological and social misconduct by suppliers  |   |
| <b>Austria:</b> <ul style="list-style-type: none"> <li>Governance, environmental, and social criteria as an integral part of a new supplier Code of Conduct</li> </ul> | <b>Austria:</b> <ul style="list-style-type: none"> <li>New supplier Code of Conduct with updated governance, environmental, and social criteria</li> </ul> | <b>Group:</b> <ul style="list-style-type: none"> <li>Stipulation that all subsidiaries take ecological and social aspects into account when purchasing materials and services</li> </ul><br><b>Austria:</b> <ul style="list-style-type: none"> <li>Role out new Supplier Code of Conduct</li> </ul> |

Business partners from around the globe deliver supplies to NOVOMATIC's headquarters in Gumpoldskirchen. The largest suppliers, that together make up around 75% of the total purchasing volume at the company's headquarters, were subjected in 2015 to an analysis carried out by consulting firm PwC. The vast majority of these suppliers do not carry any economic, ecological, or social risk.

This is due to the fact that the large majority of suppliers are subject to European law, which requires that minimum standards be met in the areas of environmental protection, employment law, and safety. At the Gumpoldskirchen location, the supplier self-assessment collects information on the level of certification for quality management norm ISO 9001 and the environmental management norm ISO 14001.

 GRI 308-1, 414-1, 102-9

## Human Rights

NOVOMATIC is committed to complying with all legal regulations. The company therefore supports compliance with international norms for the protection of human rights within its scope of business. NOVOMATIC is a member of the

worldwide company platform United Nations Global Compact (UNGC), and supports its ten principles. Principles 1 and 2, regarding the implementation of international human rights standards and avoiding the violation of human rights, are particularly relevant.

| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020   |
|---|---|--|
| <b>HUMAN RIGHTS</b>   | <b>Principles:</b><br>Ensure business activities comply with human rights   |  |
| <ul style="list-style-type: none"> <li>Measures to safeguard the right not to be discriminated against</li> </ul> | <b>Group:</b> <ul style="list-style-type: none"> <li>Implement United Nations Global Compact (UNGC) Principles</li> <li>Continued availability of the whistleblowing and equal opportunities e-mail accounts</li> <li>Further role out for blended learning program (E-learning and in-person training) in Spain and Italy, focused on bullying and discrimination, as well as sexual harassment</li> </ul> | <b>Group:</b> <ul style="list-style-type: none"> <li>Continued implementation of human rights in Group policies, training, etc.</li> </ul> |

### United Nations Global Compact Principles

[www.unglobalcompact.org/what-is-gc/mission/principles](http://www.unglobalcompact.org/what-is-gc/mission/principles)

In accordance with OECD guidelines for multinational companies, NOVOMATIC supports:

- Compliance with the United Nations Charter of Human Rights.
- Implementation of international human rights without contradicting applicable national laws.
- Implementation of work and social standards set out by the International Labor Organization (ILO).
- Reduction of any negative effects on human rights as much as possible within the company's activities and campaigning for improvements.
- Addressing misconduct in the area of human rights within its business relationships and using its influence to improve the situation.
- Clear commitment to maintaining human rights from the Managing Directors.
- Human rights due diligence by including human rights in the materiality process and risk management assessments.
- Implementation of due diligence, for example by checking for any potential violations of local laws, international norms, or internal regulations from the Internal Audit and Risk Management department.

### OECD Guidelines for Multinational Companies

[www.oecd.org/corporate/mne/](http://www.oecd.org/corporate/mne/)

Due to a high level of vertical integration, only a small percentage of production is carried out by external suppliers. The majority of suppliers, according to the PwC analysis from 2015, have company headquarters and production locations within the European Union. This means that the risk of human rights being violated within the supply chain is very low. This was confirmed in 2015 by means of an analysis of ecological, social, and economic risks in the supply chain.

The whistleblowing e-mail account provides an instrument for all employees and business partners to help uncover any human rights violations, and to react appropriately as required. All stakeholders also have the option of contacting the company using the publicly available contact details published in this report for the Group Corporate Responsibility & Sustainability department.

An additional tool for ensuring that human rights are upheld, particularly with regard to equality, is the Equal Opportunities point of contact. The point of contact serves to implement the Group guidelines on equal opportunities introduced in 2017. An e-mail account that

can be reached by all employees is available to report any violation of human rights in regards to equality.

GRI 412-1  
SDG 8.5, 16.3

### Fair Competition & Public Affairs

The NOVOMATIC Code of Conduct clearly states the company's commitment to fair competition. The NOVOMATIC AG Group will not make any agreements with their competition that could lead to distortion of competition, market-sharing, or

price fixing. The Group ensures that company products and services are created using innovation from within the company, and that trademark rights (for example patents and brand rights) belonging to others are respected.

| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020   |
|---|---|--|
| <p><b>FAIR COMPETITION &amp; PUBLIC AFFAIRS</b></p> <ul style="list-style-type: none"> <li>Maintain measures designed to promote fair competition and transparency</li> </ul> | <p><b>Principles:</b></p> <ul style="list-style-type: none"> <li>Clear commitment to fair competition</li> <li>Promote regulated and legal gaming</li> </ul> <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>Enforcement under private law of rights based on laws against unfair competition and the Markenschutzgesetz (Law on Protection of Trade Marks)</li> <li>Implementation of Code of Conduct for public affairs activities</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>Maintain measures designed to promote fair competition and transparency</li> </ul> |

NOVOMATIC pledges conscientious and transparent dealing with all national authorities and has even created a binding Code of Conduct for NOVOMATIC AG Public Affairs activities. Active participation, such as the provision of expertise as part of legal decision-making processes, is carried out solely in compliance with all legal requirements.

This particularly applies to commitments to transparency. The persons responsible for public affairs on behalf of the company are, for example, registered with the Austrian Public Affairs and Interest Group Register. When providing information to stakeholders, the company engages in a fact-based

dialog. This particularly applies to the sensitive issue of player protection and gaming addiction prevention. This fact-based discussion, which relies on scientific knowledge, is the foundation for continued effective development and implementation of player protection measures.

GRI 206-1



# ENJOY WORKING WITH US

This section provides a summary of the most important results and measures described in this chapter.

## OUR COMMITMENT ON RESPONSIBILITY

- "We support employee development and offer training and continued education opportunities."
- "We see our employees as an important source of innovation that we strengthen"
- "We values the diversity of our staff and stakeholders and treat all people equally."
- "We create safe and healthy working conditions in order to avoid accidents and illness."

### Employees



**22,053**

total at deadline  
December 31, 2019

**17 %**

fluctuation rate

### Injury rate LTIFR



**4.4**

### Proportion of women



**56 %**

total

**40 %**

in leadership positions

### Intellectual property rights



**~4,700**

### Training and education



**27,800**

days total

### Rewards as employer



**13**

# ENJOY WORKING WITH US

Employees are the foundation of sustainable success at the NOVOMATIC Group. Healthy, safely working, and motivated employees are innovative, which increases customer satisfaction.

The figures and graphics presented in this chapter apply, if no indication is given otherwise, to all NOVOMATIC AG Group companies.

## Summary of Key Performance Indicators

|  | 2017 | 2018 | 2019 | Goal               |
|--|------|------|------|--------------------|
| <b>Proportion of women<sup>1*</sup></b>                              | 49 % | 54 % | 56 % | Maintain balance   |
| Of which NOVOMATIC AG**  | 33 % | 32 % | 31 % |                    |
| <b>Women in leadership positions<sup>2</sup></b>                     | 34 % | 44 % | 40 % | Maintain diversity |
| Of which NOVOMATIC AG  | 12 % | 13 % | 17 % |                    |
| <b>Turnover rate (employee resignations)<sup>3</sup></b>             | 12 % | 18 % | 17 % | Reduction          |
| Of which NOVOMATIC AG  | 2 %  | 4 %  | 4 %  |                    |
| <b>Sick leave rate<sup>4</sup></b>                                   | 65 % | 54 % | 57 % | Reduction          |
| Of which NOVOMATIC AG  | 68 % | 73 % | 71 % |                    |
| <b>Accident rate<sup>5</sup></b>                                     | 5.5  | 4.9  | 4.4  | Reduction          |
| Of which NOVOMATIC AG  | 6.0  | 4.6  | 2.5  |                    |
| <b>Training and further education hours per employee<sup>6</sup></b> | 10.5 | 12.4 | 10.7 | Intensification    |
| Of which NOVOMATIC AG  | 9.9  | 16.5 | 19.3 |                    |

All data is for the reporting period 01/01 to 12/31 or at deadline of 12/31.

\* Total values represent the sum of the directly recorded data and the projection for companies that are not directly recorded of the NOVOMATIC AG Group consolidation scope.

\*\* NOVOMATIC AG only presents those directly recorded data without subsidiaries.

<sup>1</sup> The total proportion of women is the percentage of female employees compared to the total number of employees.

<sup>2</sup> Leadership positions are jobs with leadership responsibilities.

<sup>3</sup> The employee resignations are the percentage of employees who instigated their own resignation.

<sup>4</sup> The sick leave rate is the percentage of employees that took at least one sick day. In 2019, to enhance comparability, a switch was made from health rate to sick leave rate.

<sup>5</sup> The accident rate is the Lost Time Injury Frequency Rate (LTIFR), which is the number of accidents requiring notification per million work hours. This is an internationally defined relative value, providing enhanced comparability, which represents the number of accidents to a reference value of one million work hours. In 2018, the numbers were specified to the number of accidents needing to be reported where the person needed more than three days off work, and not including accidents on the way to or from work.

<sup>6</sup> Training and further education hours per employee provide the total number of training hours that employees received on average.

The changes in the data from the previous year are explained in this chapter in the respective topic paragraph.



Employees are the company's most valuable capital. It is only thanks to their skills, commitment, and satisfaction that NOVOMATIC has been writing success stories for almost 40 years. As a leading production and service operator in the area of gaming technology, new talents that work with us to innovate for the future are always welcome. Employees profit from a creative, secure working environment, exciting tasks, and the potential to apply and further develop their knowledge and skills.

The NOVOMATIC AG Group has around 22,050 employees in the Group consolidation scope. Of these employees, approximately 3,500 are employed in the Austrian home market, of which around 1,180 are located at the company headquarters in Gumpoldskirchen. Almost half of those employees work in the manufacturing or research and development segments.

NOVOMATIC offers a broad range of professions:

- Research and development in the areas of gaming equipment or game design
- Production of gaming machines and gaming equipment at what is now 14 locations in eleven countries around the world
- Service in casinos and electronic casinos, as well as in licensed betting offices
- Business operations in the areas of human resources, controlling and finance, purchase, compliance, legal, and more
- IT in the areas of IT security, company networking, data centers, and business applications

Employees are offered the best possible framework conditions for a healthy, secure, and motivating work environment. This includes activities related to education and training, health, occupational safety, work-life balance, equal opportunities, and diversity. Regardless of their type of employment, all employees have access to the same company offers and social services.

 More information on NOVOMATIC as an employer: [www.novomatic.com/careers](http://www.novomatic.com/careers)

All employee-related activities are planned and implemented by the Human Resource departments within the NOVOMATIC AG Group. To ensure coordination across the Group, as well as information offerings, the Group HR department is always in contact with Group subsidiaries.








The NOVOMATIC Human Resources Circle meets once a year in Austria; the meeting is attended by many HR officers from the subsidiaries. At the Circle, new NOVOMATIC Group guidelines are explained, focus issues are discussed, and new HR projects are introduced.



The company is proud to be an attractive employer. This is underlined by the following awards and certificates.

 GRI 102-8

## Overview of awards

| Awards for NOVOMATIC AG   | Description  | Award holder since  |   |
|---|--|---|---|
|  | <p><b>Best Recruiters</b><br/>Seal of quality in silver<br/><a href="http://www.bestrecruiters.at">www.bestrecruiters.at</a></p>                 | <p>NOVOMATIC offers professional approaches in recruiting and in 2019/2020 was once again awarded the silver BEST RECRUITERS seal of quality for the industry: electronics/electronics manufacture.</p> | <p>Bronze 2017<br/>Gold 2018<br/>Silver 2019/2020</p> |
|  | <p><b>kununu</b><br/>Awarded TOP Company &amp; OPEN Company<br/><a href="http://www.kununu.com/at/novomatic">www.kununu.com/at/novomatic</a></p> | <p>In 2017, NOVOMATIC was evaluated by kununu, the largest employer rating platform in the German-speaking world, and received the ratings TOP Company and OPEN Company.</p>                            | <p>2017</p>   |

|   |  |   |   |
|---|--|---|---|
|    | <p><b>Trend Austria's top 300 employers</b><br/> <a href="http://www.trend.at/toparbeitgeber/ranking">www.trend.at/toparbeitgeber/ranking</a></p>  | <p>By improving its rating by 99 points over the previous year, NOVOMATIC was one of the '25 highest climbers' in 2019. Overall, NOVOMATIC was 125<sup>th</sup> of 300 companies featured. The ranking is based on an anonymous online survey of employees, trend readers, and members of the Xing and kununu social networks.</p>  | <p>2019</p>   |
|    | <p><b>Leading Employers Austria</b><br/>                 Recognized Leading Employer<br/> <a href="http://www.leading-employers.at">www.leading-employers.at</a></p>                         | <p>In 2019, NOVOMATIC was recognized as a Leading Employer amongst the 40,000 companies tested. Each year, LEADING EMPLOYERS collects and analyses millions of pieces of information regarding employers within and outside of Austria. The evaluation takes into consideration the factors employee offerings, employee satisfaction, CSR and values, image, human resources expertise, as well as talent communication.</p>   | <p>2019</p>   |
|    | <p><b>Leading Companies Austria</b><br/>                 Recognized as a leading company<br/> <a href="http://www.leitbetriebe.at">www.leitbetriebe.at</a></p>                               | <p>NOVOMATIC received a "Leading Companies Austria" award, meaning it is one of the most exemplary companies in the country. The designation Leading Company is awarded after a comprehensive evaluation process to determine those companies that stand out due to their excellent performance.</p> <p>As of 2018, ADMIRAL Casino &amp; Entertainment AG and ADMIRAL Sportwetten GmbH are part of the excellence platform and therefore model companies in the Austrian economy.</p> | <p>2015</p>   |
|  | <p><b>Audit berufundfamilie</b><br/>                 Full certificate<br/>                 auditberufundfamilie<br/> <a href="http://www.familieundberuf.at">www.familieundberuf.at</a></p>  | <p>After receiving the basic certificate in 2015, NOVOMATIC was awarded the full berufundfamilie (career and family) Audit by the Austrian Federal Ministry for Women, Families, and Youth.</p>   | <p>Basic certificate 2015<br/><br/>                 Full certificate 2018</p> |
|  | <p><b>NESTOR<sup>GOLD</sup></b><br/> <a href="http://www.sozialministerium.at">www.sozialministerium.at</a></p>  | <p>In 2016, the company received the NESTOR<sup>GOLD</sup> certification, which is awarded by the Austrian Ministry for Social Affairs for three years. Companies who receive this certification have special programs for creating a workplace suitable for aging and intergenerational employees.</p>   | <p>2016</p>   |
|  | <p><b>Corporate health management network (BGF)</b><br/>                 Seal of Quality in Corporate Health Promotion<br/> <a href="http://www.netzwerk-bgf.at">www.netzwerk-bgf.at</a></p> | <p>In 2017, together with the Austrian subsidiaries, NOVOMATIC received the Seal of Quality in Corporate Health Promotion awarded by the Austrian Network. This seal is awarded to those companies that fulfill specific quality criteria when it comes to promoting health, and is valid for three years. The seal of quality was awarded once more in 2019.</p>   | <p>Certification 2017<br/><br/>                 Recertification 2019</p>      |
|  | <p><b>Great Place to Start</b><br/>                 Silver certification<br/> <a href="http://www.greatplacetowork.at">www.greatplacetowork.at</a></p>                                       | <p>The award "Österreichs Beste Lehrbetriebe 2018 / 2019" (Austria's best Apprenticeship Training Companies), part of the Great Place To Work seal of quality, is given to those companies with excellent professional apprenticeship training. This year, NOVOMATIC received the silver award in this category for the first time.</p>   | <p>2018/2019</p>  |

|   |   |   |             |
|---|---|---|-------------|
|  | <p><b>Business Superbrand Austria Award</b><br/>Superbrand award<br/><a href="http://www.superbrands.at">www.superbrands.at</a></p> | <p>NOVOMATIC was recognized as one of the best Business Superbrands in Austria by the Superbrands Austria Corporation in 2019. This award is proof of its successful and consistent brand management and positioning. In addition to the evaluation by an independent panel of experts, this award is based on the results of consumer surveys.</p> | <p>2019</p> |
|  | <p><b>Austria Brand Value Study</b><br/><a href="http://www.europeanbrand-institute.com">www.europeanbrand-institute.com</a></p>    | <p>NOVOMATIC had a strong performance again, reaching third place in the ranking of Austria's most valuable brands.</p>   | <p>2019</p> |
| <p>Top-Gewinn</p>   | <p><b>Top-Gewinn Image-Ranking</b><br/><a href="http://www.gewinn.com">www.gewinn.com</a></p>                                       | <p>NOVOMATIC is currently ranked 8<sup>th</sup> in the economic magazine GEWINN's image list, once again securing a place amongst the top ten most lucrative companies in Austria.</p>  | <p>2019</p> |
| <p>Industrie-magazin</p>  | <p><b>Top 25 companies in Lower Austria</b><br/><a href="http://www.industriemagazin.at">www.industriemagazin.at</a></p>            | <p>NOVOMATIC AG once again achieved the 1<sup>st</sup> place ranking in Industriemagazin's "TOP 250 Companies in Lower Austria" competition. The criteria are the revenue generated and the number of jobs created in Austria. Even when considering all of Austria, NOVOMATIC AG placed within the TOP 20 companies.</p>                           | <p>2019</p> |

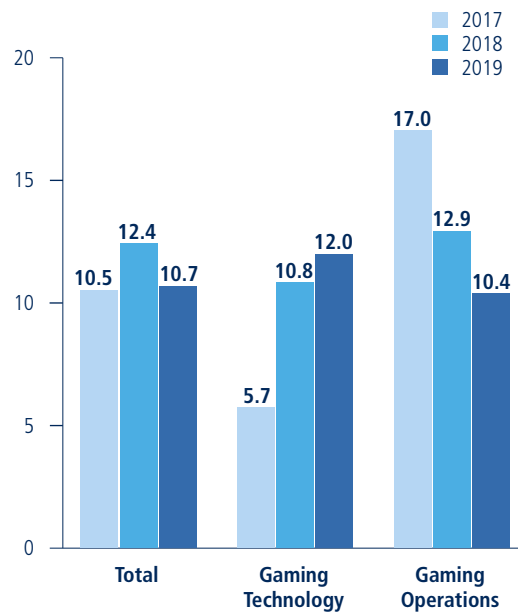
GRI 103-2

The following sections describe the management approach and some highlights of the HR Department's activities over the last year. These are just a few examples of the numerous measures taken across the entire NOVOMATIC Group.

### Training & Further Education

NOVOMATIC is continually developing its hardware and software systems. Its high levels of innovation and excellent specialists have driven NOVOMATIC to become one of the leading gaming technology companies in the world. Therefore, the company's highest priority is education and training for employees. There is a Learning and Development Team that deals with training challenges and services across all departments and business segments. In the future, acquiring skills for the digital transformation, also known as Industry 4.0, will be a new aspect to consider for NOVOMATIC staff.

### TRAINING AND FURTHER EDUCATION HOURS PER EMPLOYEE 2017 – 2019



This is the average number of training and further education hours that employees took advantage of. Thanks to consistent qualification measures for employees, the hours of training and further education level off at ten hours.

| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020  |
|---|---|---|
| <p><b>TRAINING &amp; FURTHER EDUCATION</b></p> <ul style="list-style-type: none"> <li>Continuation of the International Casino Management program</li> <li>Implementation of department specific management development training</li> </ul> | <p><b>Principles:</b><br/>Well trained employees</p> <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>Talent recruitment at job and career fairs, conferences, and festivals</li> <li>Continue the International Casino Management Program (ICMP)</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>Cross-company high potential networking with Wien Energie and Österreichischen Post AG.</li> <li>Hire developers trained at the Corporate Coding Academy (CCA)</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>Support six employees taking part in the Masters program "Public Play and Social Context" at the University of Salerno</li> </ul> <p><b>Romania:</b></p> <ul style="list-style-type: none"> <li>Create a new "Learning and Development" department in order to coordinate training and further education opportunities for employees</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>End of International Casino Management Program and hiring of graduates at Group subsidiaries</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>Participant at 4Gamechangers Festival trade fair booth to represent the company</li> </ul> <p><b>Germany:</b></p> <ul style="list-style-type: none"> <li>Continued education events on the topics of healthy eating and health at work</li> </ul> |

GRI 404-1, -2

SDG 5.1, 8.2

### NOVOMATIC Corporate Coding Academy programmers hired

"Make the most out of you" is the NOVOMATIC Corporate Coding Academy (CCA) motto. The academy trains specialists for software and game development to be 'Coding Heroes' in just six months, using an innovative training concept. NOVOMATIC offers individual coding training in a small group, accompanied by experienced specialists for software and game development. In addition to the content inputs, the new employees will gain insights into the game studios and their game development processes. In 2019, a total of 8 participants completed their training at the CCA. All were subsequently hired by the in-house game studios of NOVOMATIC and Greentube as regular employees.



### Start of the International Casino Management Program 2019

The successful International Casino Management Program, an international trainee program for educating new management for gaming facilities and casinos, was continued in 2019. From a total of 300 applications, six candidates were chosen to take part in the 12 month program. After intensive product training, an introduction to the world of NOVOMATIC, as well as exclusive training sessions and additional education from internal and external experts, the trainees are sent to various countries in Europe to learn how to be a casino manager.



### Occupational Health & Safety

A company is only as successful as the people who run it. And they need a healthy and safe workplace. This is why NOVOMATIC goes above and beyond the legal requirements

in this regard. In 2017, the company defined and recorded indicators for occupational health and safety within the Group for the first time. Good practice measures in these areas were shared with subsidiaries by Corporate Responsibility Management.

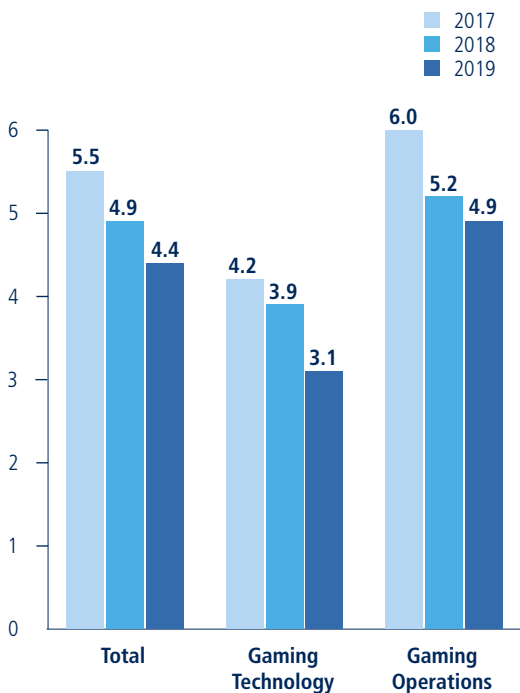
| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020  |
|---|---|---|
| <b>HEALTH &amp; SAFETY</b>  | <p><b>Principles:</b><br/>The top priority is avoiding accidents and illness and keeping customers and employees safe.</p>  |   |
| <ul style="list-style-type: none"> <li>• 2<sup>nd</sup> NOVOCCompany Day</li> <li>• Recertification of the NESTOR<sup>GOLD</sup> seal of quality in Austria</li> <li>• Recertification of the Seal of Quality in Corporate Health Promotion in Austria</li> <li>• Expansion of health promotion activities</li> <li>• Integrate work safety in the new Group Safety &amp; Security Committee</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>• Improve Group-wide data on health and work accident key figures</li> <li>• Group-wide internal benchmarking on safety performance</li> <li>• Exchange good practice policy between Group companies</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>• Continue the NOVOHelp Employee Assistance Programs</li> <li>• Support for employee participation in a variety of running events</li> <li>• Measures to improve ergonomics at work</li> <li>• ADMIRALfit Day</li> <li>• 2<sup>nd</sup> NOVOCCompany Day</li> <li>• New health measures partnership with Health Ministry (Greentube)</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>• Safety performance benchmarking for Group companies</li> <li>• Exchange good practice policy between Group companies</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>• Certification in accordance with the standard ISO 45001</li> <li>• 3<sup>rd</sup> NOVOCCompany Day</li> <li>• 3<sup>rd</sup> ADMIRALfit Day</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>• Newsletter with safety tips</li> </ul> <p><b>United Kingdom:</b></p> <ul style="list-style-type: none"> <li>• 2<sup>nd</sup> Wellbeing Week</li> </ul> |

| GOALS 2019 | HIGHLIGHTS 2019  | PLANNED 2020   |
|------------|--|--|
|            | <p><b>Germany:</b></p> <ul style="list-style-type: none"> <li>• Training day on healthy eating</li> <li>• Health Day in cooperation with statutory health insurance</li> <li>• Weekly fruit day (free fruit for employees)</li> <li>• Plenty of programs for employees (e.g. sleep advice for shift workers, healthy back training, etc.)</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>• ISO 45001 (Health &amp; Safety) certification</li> <li>• SA 8000 (Social Accountability) certification</li> </ul> <p><b>United Kingdom:</b></p> <ul style="list-style-type: none"> <li>• Health &amp; Wellbeing Week for employees</li> </ul> <p><b>The Netherlands:</b></p> <ul style="list-style-type: none"> <li>• Introduction of an Employee Assistance Program</li> </ul> | <p><b>The Netherlands:</b></p> <ul style="list-style-type: none"> <li>• Measures for preventing accidents and reducing sick days together with external partners</li> <li>• Install defibrillators in all gaming facilities</li> </ul> <p><b>Romania:</b></p> <ul style="list-style-type: none"> <li>• Introduce health tests for employees</li> </ul> <p><b>Serbia &amp; North Macedonia:</b></p> <ul style="list-style-type: none"> <li>• Introduce health tests for employees</li> <li>• First aid courses</li> </ul> |

**Occupational Safety**

Occupational safety is also a part of the NOVOMATIC Security & Safety Committee (SSC). The committee bundles Group expertise on safety and structures and optimizes the information flow on safety issues, among other things.

**ACCIDENT RATE 2017 – 2018**



The accident rate is the Lost Time Injury Frequency Rate (LTIFR), which is the number of accidents requiring notification per million work hours. This is an internationally defined relative value, providing enhanced comparability, which represents the number of accidents to a reference value of one million work hours. Since this key figure is a relation, an extrapolation for the companies of the group of consolidated companies that are not directly recorded in 2019 is not necessary. Thanks to an expanded focus on employee safety, the overall accident rate could be further reduced.



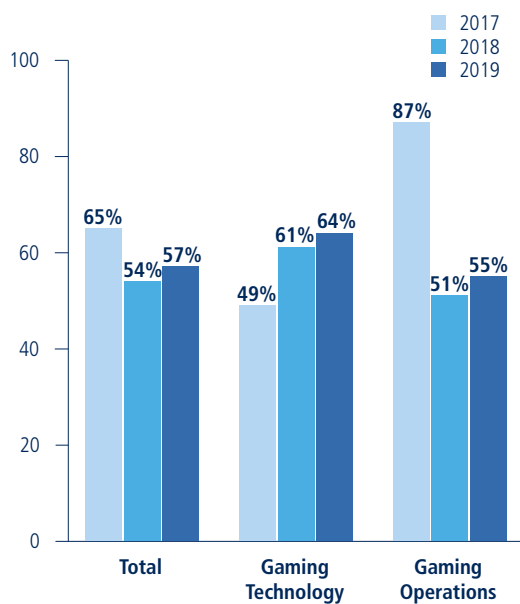
## Occupational Health

Healthy employees are the basis for productivity in every company. On the other hand, sick employees do not perform as well or may need to take time off work, which can cost the company money, either directly or indirectly. It also increases the amount of work healthy employees have to handle. Therefore, one of NOVOMATIC's goals is to support employee health as much as possible.

Group subsidiaries have implemented multiple health programs under the NOVOHealth initiative. An exchange of good practice principles on the Group level has also improved the health programs on offer, above and beyond what is legally required.

# NOVOHEALTH

## SICK LEAVE RATE 2017 - 2018



The sick leave rate is the percentage of employees that took at least one sick day. By further focusing on the health of employees the overall sick leave rate was reduced. The display includes the data directly available and in the case of nonexistent data the projections of all consolidated companies according to the Group consolidation scope 2019. Due to various preventive measures, the sick leave rate could be held below 60 %.

 GRI 403-6  
 SDG 3.9

## Health & Wellbeing Week in the United Kingdom

The UK subsidiary Luxury Leisure organized a Health & Wellbeing Week for the first time last year. Employees received a Health & Wellbeing packet consisting of a water bottle, a book with tips and notes on healthy habits, a wellbeing poster, as well as an invitation to take part in the following programs:

- Monday: Financial health (e.g. support for financial education)
- Tuesday: Mental health (e.g. Employee Assistance Program, meditation exercises, anti-bullying information)
- Wednesday: Water and Movement (e.g. tips on drinking enough water, stair climbing competition)
- Thursday: Regeneration (e.g. free gym and solarium visits)
- Friday: Fruit Day (e.g. recipes and tips for fruit dishes)
- Saturday: Small steps (e.g. steps to reduce smoking, alcohol consumption, or unhealthy eating)
- Sunday: Sharing experiences (e.g. sharing health experiences with colleagues, free online courses)





## Employee Diversity & Equality

Embracing diversity, integration, and equal opportunities is a basic principle of the NOVOMATIC corporate culture. Doing so also provides a decisive competitive edge for sustainable corporate success. For years, the Code of Conduct has stated that any type of discrimination towards employees or customers has no place within the company.

NOVOMATIC acknowledges that it is responsible for creating fair working conditions, for example when hiring and selecting personnel, during career development, as part of the compatibility of family and career, and as part of generation management.

| GOALS 2019  | HIGHLIGHTS 2019  | PLANNED 2020   |
|---|--|--|
| <p><b>EMPLOYEE DIVERSITY &amp; EQUALITY</b></p> <ul style="list-style-type: none"> <li>E-learning program on anti-discrimination and bullying</li> <li>Pilot project focusing on recruiting people aged 60+ for Operations in Austria.</li> </ul> | <p><b>Principles:</b><br/>Promoting diversity and equality for all groups, regardless of ethnicity, religion, gender, sexual orientation, etc.</p> <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>Gender information in job posting now includes a non-binary option (m/f/d, where d stands for diverse)</li> <li>Gender neutral wording when corresponding with applicants</li> <li>New photos for website and career portal emphasize diversity</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>New cooperation with the job platform WisR, specially designed for older applicants</li> <li>Continuation of the programs NOVOSilver Family and NOVOMoms &amp; Dads</li> </ul> <p><b>Germany:</b></p> <ul style="list-style-type: none"> <li>App "Frag Elli" (Ask Elli) to expand the employee assistance program</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>Blended learning program on discrimination and bullying</li> </ul> <p><b>Spain:</b></p> <ul style="list-style-type: none"> <li>Blended learning program on discrimination and bullying</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>Continuation of the employee connection programs NOVOSilver Family and NOVOMoms &amp; Dads</li> <li>Year-round child care on offer</li> <li>Photo ads displayed on additional channels to emphasize diversity</li> <li>Further roll out of blended learning program on discrimination and bullying</li> <li>New questionnaire for apprentices via Great Place to Work</li> </ul> <p><b>United Kingdom:</b></p> <ul style="list-style-type: none"> <li>Further roll out of blended learning program on discrimination and bullying</li> </ul> |



To ensure the company treats everyone equally, the Group Guideline on Equal Opportunities. The goal of the guideline is to ensure that no-one is disadvantaged due to their sex, age, ethnicity, nationality, physical and mental abilities, or sexual orientation. During the onboarding process, and at the NOVOWelcome Days, which are attended primarily by new employees in Austria in the first few weeks after they start working for the company, the Equal Opportunities Guideline is always on the agenda.

The team responsible for implementation of the guideline is led by the Global HR Director. In the event that employees experience discrimination, or notice that a co-worker is subject to discrimination, they are able to inform the company via an e-mail address set up specifically for that purpose. Quite apart from that, any violation of the law, of the Code of Conduct, or

of human rights in general, can be reported at the whistleblowing email address.

**i** Equal Opportunities E-Mail:  
equalopportunities@novomatic.com

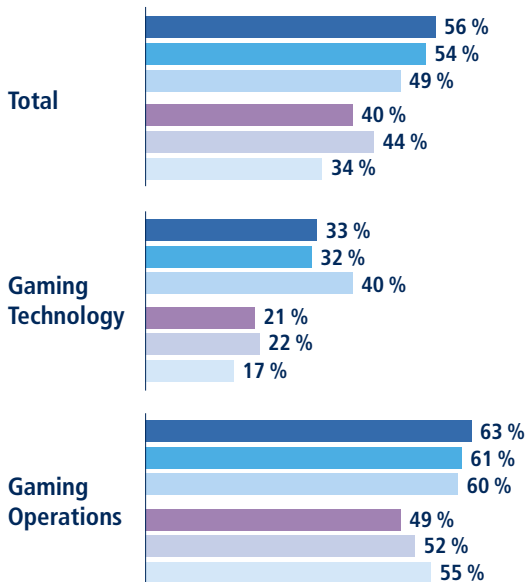
**i** Whistleblowing E-Mail-Hotline:  
compliance@novomatic.com

Many company subsidiaries offer transition phases between full-time employment and retirement. In most cases, this is done by gradually reducing the number of working hours.

**PROPORTION OF WOMEN 2017 – 2018**

Proportion of women total in % ■ 2019 ■ 2018 ■ 2017

Proportional of women in leadership positions in % ■ 2019 ■ 2018 ■ 2017



Leadership positions are jobs with leadership responsibilities. 2017 recorded for the first time. The display includes the data directly available and in the case of nonexistent data the projections of all consolidated companies according to the Group consolidation scope 2019. The increase in the proportion of women overall, as well as the proportion of women in management positions is a result by adding more companies, especially in the field of gaming operations.

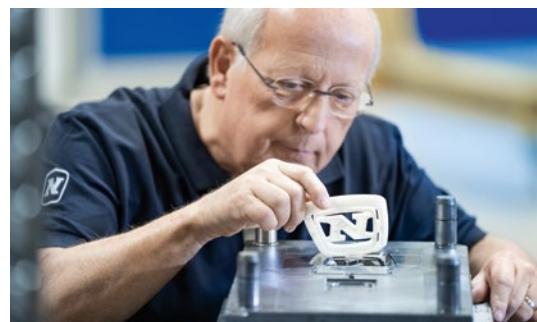
**GRI** GRI 405-1  
**SDG** 5.1, 8.5

**NOVOMATIC and ADMIRAL cooperate with job platform for older applicants**

Older employees increase added value for both NOVOMATIC and younger employees. It is not just the company that benefits from a continuing conversation and cooperation between generations and the diversity this creates, it is also the customer.

NOVOMATIC has a talent pool which offers retired employees to continue to work for the company in a very reduced role. The goal is to ensure that their experience and knowledge remain available to the company and efficiently take care of any potential temporary lack of specialists. To ensure that this continues, the company has agreed to a cooperation with the external online platform WisR.

**i** WisR Jobplattform: [http://Growwwisr.Com/Novomatic\\_Admiral/](http://Growwwisr.Com/Novomatic_Admiral/)



## Innovation

In addition to its high-quality products and services, a great deal of NOVOMATIC's success is based on employee innovation. As a top international gaming technology company, it is crucial that NOVOMATIC not only recognizes trends early on but also triggers and drives new trends. The large majority

of company innovation is produced within the research and development department. Around 4,700 intellectual property rights prove that the company is extremely innovative. NOVOMATIC is committed to partnerships in the areas of technology and innovation.

| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020  |
|---|---|---|
| <b>INNOVATION</b>   | <b>Principles:</b><br>Ensure continued high levels of innovation within the company   |   |
| <ul style="list-style-type: none"> <li>• Promoting innovation in education and training</li> <li>• Continuation of the digitalization project Enterprise 4.0 and associated qualifications</li> </ul> | <ul style="list-style-type: none"> <li>• Support for innovation in training and further education</li> <li>• Continuation of the digitalization project Enterprise 4.0 and associated qualifications</li> <li>• International research project on blockchain together with the Austria Blockchain Center</li> </ul> | <ul style="list-style-type: none"> <li>• Support innovation in training and further education</li> <li>• Support innovative employee projects (e.g. blockchain project)</li> <li>• Participation in research group Digital Champions Network</li> </ul> |

### Participation in international blockchain research project

NOVOMATIC has been interested in trailblazing blockchain technology since 2018. To further this interest, the company joined the research association Austrian Blockchain Center (ABC) in 2019, which is run as a K1 EU project. As preparation for this project, several workshops were held together with the St. Pölten University of Applied Sciences in 2018 in order to educate employees and define specific use-cases. In 2019, the first project was begun in the production department.





# GOING GREEN

This section provides a summary of the most important results and measures described in this chapter

## OUR COMMITMENT ON RESPONSIBILITY

- “We minimize our environmental footprint through efficient handling of energy and resources, as well as by reducing the waste and emissions that we produce.”
- “We strive to make positive contributions to environmental protection using both production and operational measures.”

### Total energy consumption



**377,567**  
MWh

### Water consumption



**687,033**  
m<sup>3</sup>

### CO<sub>2</sub> emissions



**211,496**  
tons

### Waste



**9,021**  
tons

# GOING GREEN

The way a company handles energy, CO<sub>2</sub> emissions, waste, as well as water consumption has a major effect on the environment. The main priority is to keep consumption of all resources as low as possible in both manufacturing and gaming facility operations.

The figures and graphics presented in this chapter apply, unless otherwise indicated, to all NOVOMATIC AG companies.

## Summary of Key Performance Indicators

|   | 2017    | 2018    | 2019    | Goal      |
|---|---------|---------|---------|-----------|
| <b>Energy consumption in MWh total<sup>1*</sup></b>               | 331,503 | 350,084 | 377,567 | Reduction |
| Of which NOVOMATIC AG**   | 20,845  | 21,093  | 21,393  |           |
| <b>CO<sub>2</sub> emissions in tons total<sup>2</sup></b>         | 224,288 | 215,264 | 211,496 | Reduction |
| Of which NOVOMATIC AG   | 3,367   | 3,927   | 3,486   |           |
| <b>Scope 1 CO<sub>2</sub> emissions in tons total<sup>3</sup></b> | 24,759  | 26,331  | 26,457  | Reduction |
| Of which NOVOMATIC AG   | 2,433   | 2,614   | 2,473   |           |
| <b>Scope 2 CO<sub>2</sub> emissions in tons total<sup>4</sup></b> | 84,077  | 73,772  | 74,473  | Reduction |
| Of which NOVOMATIC AG   | 0       | 0       | 0       |           |
| <b>Scope 3 CO<sub>2</sub> emissions in tons total<sup>5</sup></b> | 115,452 | 115,161 | 110,566 | Reduction |
| Of which NOVOMATIC AG   | 934     | 1,313   | 1,012   |           |
| <b>Water use in m<sup>3</sup> total<sup>6</sup></b>               | 655,500 | 681,415 | 687,033 | Reduction |
| Of which NOVOMATIC AG   | 19,015  | 22,362  | 20,280  |           |
| <b>Waste in tons total<sup>7</sup></b>                            | 3,131   | 3,574   | 9,021   | Reduction |
| Of which NOVOMATIC AG   | 1,236   | 1,484   | 1,380   |           |

All data is for the reporting period 01/01 to 12/31 or at deadline of 12/31.

\* Total values represent the sum of the directly recorded data and the projection for companies that are not directly recorded of the NOVOMATIC AG Group consolidation scope.

\*\* NOVOMATIC AG only presents those directly recorded data without subsidiaries.

<sup>1</sup> The energy consumption includes electricity, natural gas, fuel for transport such as diesel and petrol, heating oil, and self-generated energy (solar panels). Sold energy is deducted from this value.

<sup>2</sup> The CO<sub>2</sub> emissions are compiled from CO<sub>2</sub> equivalents of the direct Scope 1 emissions from fuel consumption, indirect Scope 2 emissions from energy consumption and Scope 3 emissions from the sold and rented equipment as well of air travel.

<sup>3</sup> The direct scope 1 CO<sub>2</sub> emissions include those caused by the combustion of transport fuels diesel and petrol, as well as natural gas emissions.

<sup>4</sup> The indirect Scope 2 CO<sub>2</sub> emissions include those caused by the generation of electricity and district heating by the energy supplier.

<sup>5</sup> The indirect Scope 3 CO<sub>2</sub> emissions include those from air travel and those based on sold and rented equipment.

<sup>6</sup> Water consumption is measured from water used for manufacture, cleaning, sanitary facilities, or irrigation.

<sup>7</sup> Waste consists of non-hazardous and hazardous waste. This value is recorded only for the Gaming Technology companies.

The changes in the data from the previous year are explained in this chapter in the respective topic paragraph.

NOVOMATIC is one of the world's largest gaming technology producers. Around 30,000 gaming terminals were produced in 2019. The majority of manufacturing steps are carried out in-house at the Austrian production location in Gumpoldskirchen. This is also where the majority of gaming terminals are produced or refurbished for the Group. An internal joinery, printing shop, metal working shop, plastics manufacture, circuit board assembly, as well as internal assembly and shipping logistics allow for vertical integration of more than 50 %, unique within the industry.

During manufacture, NOVOMATIC makes use of a variety of resources from raw materials and primary products to electrical parts and technological components. Logistics is run in part using company-owned trucks, and NOVOMATIC's service technicians make use of company-owned cars.

The company uses resources such as electricity, water, heat, and vehicle fuel to run production and logistics. The majority of environmentally harmful substances are generated during production as a result of waste and waste water as well as by greenhouse gas emissions from energy generation and the combustion of fuels.

In addition to the production of high-tech gaming equipment, NOVOMATIC also operates casinos, electronic casinos, and sports betting facilities, and offers comprehensive solutions both in the areas of lottery and sports betting, as well as in online, mobile, and social gaming. Globally, the NOVOMATIC Group runs around 2,100 gaming facilities, including casinos in Spain, North Macedonia, Croatia, and Spielbank Berlin, the casino with the highest revenue in Germany. In terms of gaming operations, the largest environmental effect comes from electricity consumption used to run gaming and betting terminals, lighting, heating, and air conditioning. Water use is relatively low for gaming operations, however the vehicles used by service technicians cause appreciable emissions due to fuel use.

 Information on interactive gaming products:

[www.greentube.com](http://www.greentube.com)

 Information on sports betting solutions:

[www.novomatic-sbs.com](http://www.novomatic-sbs.com)

NOVOMATIC acknowledges its ecological footprint and assumes responsibility for using resources efficiently and sparingly. Implementation of environmental management and measures for reducing the ecological footprint are carried out in every subsidiary based on local requirements. The Group companies who manufacture products have their own environmental protection officers who monitor all required operational environmental protection measures. Several companies are certified in accordance with the environmental management norm ISO 14001. As part of this certification, and as part of requirements from the European Energy Efficiency Directive, concrete goals are set and implementation is checked by external authorities. In the subsidiaries responsible for gaming operations, environmental management is sometimes carried out by property management. This is because most buildings containing gaming operations are not owned by NOVOMATIC or its subsidiaries.

In order to record the extent of the ecological footprint and the measures implemented against it, NOVOMATIC also records environmental key figures in its CR Indicator system. These were recorded for the first time in 2017 using a new online data tool. Good practice examples on new and successful environmental measures are shared between the companies. In the future, the plan is to specify qualitative goals and move towards quantitative goals.

The following sections describe the management approach and the highlights of the company's activities over the last year. These are just a few examples of the numerous measures taken across the entire NOVOMATIC Group.

 GRI 103-2

## Energy & Emissions

Reduction of energy consumption and the associated CO<sub>2</sub> emissions is increasingly important in light of climate change. The gaming industry is not subject to the same challenges as more energy intensive industries but there is still a great

deal of energy consumed by manufacture and in particular by gaming operations. NOVOMATIC is determined to continue to reduce this CO<sub>2</sub> footprint in the future.

| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020   |
|---|---|--|
| <p><b>ENERGY &amp; EMISSIONS</b></p> <ul style="list-style-type: none"> <li>Expand e-mobility within the Group</li> <li>Improve sharing of good-practice information on energy and CO<sub>2</sub> reduction.</li> </ul> | <p><b>Principles:</b><br/>Reduce energy consumption and emissions</p> <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>Detailed feedback to all companies regarding their ecological footprint in 2018, including recommendations for improvement</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>Monitoring audit in accordance with ISO 14001 standard</li> <li>Modernize 12 facilities (e.g. switching to LED lighting, new media technology, etc.)</li> </ul> <p><b>Germany:</b></p> <ul style="list-style-type: none"> <li>Certification in accordance with the energy management standard ISO 50001:2011</li> <li>More LED lighting</li> <li>Power supply for all change machines adapted to only turn on during casino opening times (reducing electricity used)</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>Recertification in accordance with the standard ISO 14001:2015</li> </ul> <p><b>Spain:</b></p> <ul style="list-style-type: none"> <li>Improve e-mobility and hybrid mobility with four vehicles</li> <li>Switching to green electricity for arcades in Madrid</li> </ul> <p><b>United Kingdom:</b></p> <ul style="list-style-type: none"> <li>Move to a more energy efficient office building, including charging options for electric cars</li> </ul> <p><b>Serbia:</b></p> <ul style="list-style-type: none"> <li>More LED lighting</li> <li>Improved e-mobility and hybrid mobility with two vehicles</li> </ul> <p><b>North Macedonia:</b></p> <ul style="list-style-type: none"> <li>More LED lighting</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>Detailed feedback to all companies regarding their ecological footprint in 2019, including recommendations for improvement</li> <li>Share good practice examples throughout the Group</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>New heating system at the ADMIRAL headquarters</li> <li>Modernize other facilities</li> <li>Role out the 'Going Green' campaign aimed at employees</li> </ul> <p><b>Germany:</b></p> <ul style="list-style-type: none"> <li>Energy audit for the Kurhessische Spielbank</li> <li>Continue process of switching to LED lighting</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>Expand ISO 14001 certification to additional locations</li> <li>Continue switching vehicle fleet to more environmentally friendly leasing vehicles</li> </ul> <p><b>Spain:</b></p> <ul style="list-style-type: none"> <li>More LED lighting</li> <li>Continue switching to green electricity</li> </ul> |

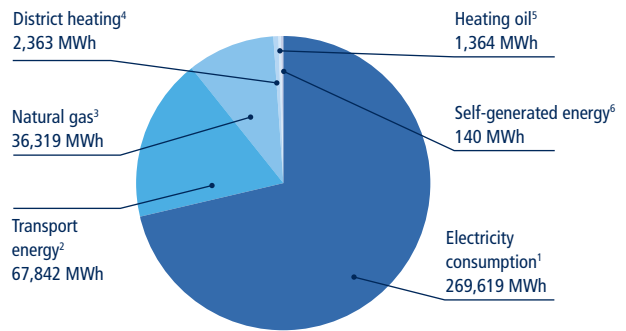
| GOALS 2019 | HIGHLIGHTS 2019   | PLANNED 2020   |
|------------|---|--|
|            | <p><b>Hungary:</b></p> <ul style="list-style-type: none"> <li>• More LED lighting</li> <li>• Introduce solar panels</li> <li>• New boiler</li> <li>• Test e-mobility and hybrid mobility with one vehicle</li> </ul> <p><b>Poland:</b></p> <ul style="list-style-type: none"> <li>• More LED lighting</li> </ul> <p><b>Online:</b></p> <ul style="list-style-type: none"> <li>• IT server infrastructure moved from Malta to Austria, allowing a switch from mostly non-renewable energy sources to green electricity.</li> <li>• Increased energy efficiency by replacing cooling water pumps</li> </ul> | <p><b>The Netherlands:</b></p> <ul style="list-style-type: none"> <li>• Introduce solar panels</li> <li>• More LED lighting</li> </ul> <p><b>Romania:</b></p> <ul style="list-style-type: none"> <li>• Introduce solar panels</li> <li>• More LED lighting</li> </ul> <p><b>Serbia:</b></p> <ul style="list-style-type: none"> <li>• Switching to more environmentally friendly leased hybrid vehicles in the vehicle fleet</li> <li>• More LED lighting</li> </ul> <p><b>Hungary:</b></p> <ul style="list-style-type: none"> <li>• More LED lighting</li> </ul> |

**Energy consumption**

During production of entertainment devices, energy is required in the form of electricity for running machines, lighting, heating, air conditioning, and use of district heating. The majority of NOVOMATIC’s electricity consumption, however, comes from gaming facilities which run gaming and betting terminals, as well as other electronic devices. A smaller amount of energy is used for lighting, heating, and air conditioning of the space. NOVOMATIC does not just use electricity and heat for business, it also uses fuel in the form of petrol and diesel for its vehicle fleet. Some subsidiaries have a vehicle fleet consisting of several hundred vehicles required for technical maintenance work.

In 2019, the group generated a total of 377,567 MWh of energy for Electricity, transport energy and a very small part for district heating, heating oil and consumed from self-generated energy. The large majority was consumed, as in the previous years, as part of operations, for example by running gaming devices, lighting, heating, and air conditioning. The goal is to continue to reduce total and relative energy consumption in the future.

**TOTAL ENERGY CONSUMPTION ACCORDING TO TYPE OF ENERGY 2019**

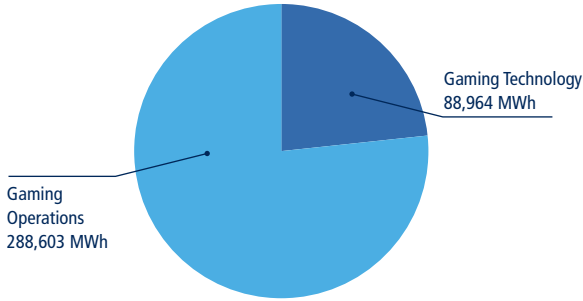


<sup>1</sup> Electricity consumption is the electricity taken directly from the energy service provider.  
<sup>2</sup> Transport energy consists of diesel and petrol consumption by the company vehicle fleets.  
<sup>3</sup> Natural gas is the natural gas taken directly from the energy service provider and used, for example, for heating, air conditioning, or lighting.  
<sup>4</sup> District heating is the heat taken directly from the energy service provider.  
<sup>5</sup> Heating oil is fuel used for energy creation.  
<sup>6</sup> Self-generated energy is renewable energy, e.g. from solar panels  
 The energy sold is not pictured, as it was not consumed

The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019. Changes to the previous year are largely caused by an increase in the number of operative gaming facilities and extended operating times. Another reason for the higher numbers is a more comprehensive record of energy sources (e.g. vehicle fleet, natural gas consumption, electricity consumption).

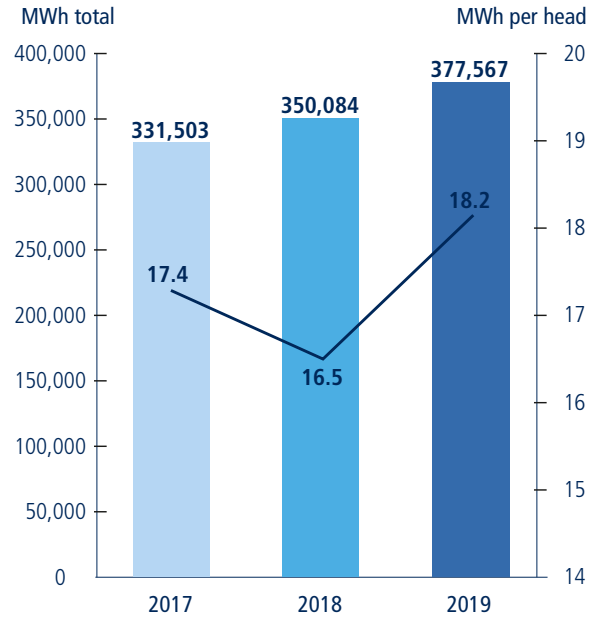


ENERGY CONSUMPTION 2019



The energy consumption represented includes electricity, district heating, fuels, natural gas, heating oil, as well as self-generated energy (solar energy). The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019.

ENERGY CONSUMPTION COMPARISON 2017- 2019



The energy consumption represented includes electricity, district heating, fuels, natural gas, heating oil, as well as self-generated energy (solar energy). The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019. The information per head includes full-time employee equivalents for employees and workers not including absences (e.g. parental leave, longer sick leave). Changes to the previous year are largely caused by an increase in the number of operative gaming facilities and extended operating times. Another reason for the higher numbers is a more comprehensive record of energy sources (e.g. vehicle fleet, natural gas consumption, electricity consumption).

Green electricity in Spain

Beginning last year, all NOVOMATIC Spain gaming facilities in Madrid are powered with 100 % green electricity, and water used for processing at the headquarters is heated using solar panels. In addition, the vehicle fleet is getting more and more environmentally friendly, with the purchase of two hybrid cars and one electric car.





**Emissions**

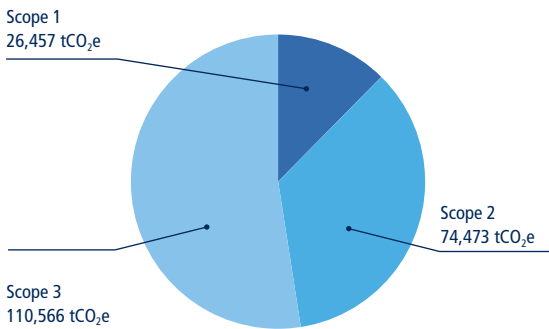
NOVOMATIC is responsible for directly produced CO<sub>2</sub> emissions caused by fuel consumption (Scope 1 emissions). Consumption of electricity and district heating is responsible for CO<sub>2</sub> emissions from energy providers (Scope 2 emissions). A small portion of the emissions is caused by air travel required for business, sold and rented gaming terminals (Scope 3 emissions).

In 2019, the total CO<sub>2</sub> footprint was 211,496 tons of CO<sub>2</sub> equivalent. The majority of this amount was caused by indirect emissions from energy consumption for operating gaming

devices, lighting, as well as heating and air conditioning in the gaming facilities, and also from the vehicle fleet required for gaming device maintenance.

The goal is to continue to reduce total and relative CO<sub>2</sub> emissions in the future. The following graphic shows the comparison between the company's CO<sub>2</sub> emissions at production locations and in gaming facilities.

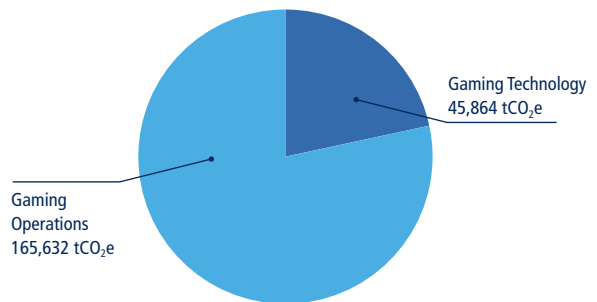
CO<sub>2</sub> EMISSIONS BY SOURCE 2019



- Scope 1 – Burning fuels & natural gas
- Scope 2 – Production of energy
- Scope 3 – Sold, rented devices & flights

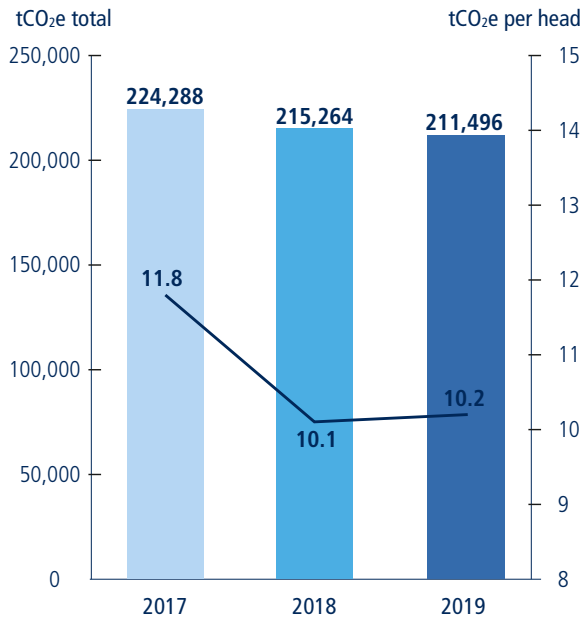
tCO<sub>2</sub>e: Equivalent CO<sub>2</sub> unit emissions in tons  
 The CO<sub>2</sub> factor for Scope 1 emissions is 2.68697 kg CO<sub>2</sub>e per liter diesel fuel and 2.31495 kg CO<sub>2</sub>e per liter petrol.  
 The CO<sub>2</sub> factor for Scope 2 emissions was obtained directly from the energy provider and is therefore different for each company. In the case of certified green electricity, emissions are 0.  
 Scope 3 emissions were recorded on the one hand using direct data on the flights and on the other extrapolated based on the number of devices rented or sold outside of the Group.  
 The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019.

CO<sub>2</sub> EMISSIONS 2019



tCO<sub>2</sub>e: Equivalent CO<sub>2</sub> unit emissions in tons  
 For information on the CO<sub>2</sub> factors, see the image "CO<sub>2</sub> emissions by source 2019."  
 The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019.

CO<sub>2</sub> EMISSIONS COMPARISON 2017- 2019



tCO<sub>2</sub>e: Equivalent CO<sub>2</sub> unit emissions in tons  
 For information on the CO<sub>2</sub> factors, see the image "CO<sub>2</sub> emissions by source 2019."  
 The information per head includes full-time employee equivalents for employees and workers not including absences (e.g. parental leave, longer sick leave).  
 The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019.  
 Changes to the previous year are largely caused by an increase in the number of operative gaming facilities and extended operating times. Another reason for the higher numbers is a more comprehensive record of energy sources (e.g. vehicle fleet, natural gas consumption, electricity consumption).

Italy improves electric mobility

In 2019, NOVOMATIC Italia in Rome purchased two Smart EQ fortwo electric cars for its vehicle fleet. The cars will be used both by employees at NOVOMATIC Italia S.p.a. and Admiral Gaming Network S.r.l. This is a further step towards reducing the fleet's CO<sub>2</sub> footprint.



GRI 305-1, -2, -3, -4  
 SDG 7.2, 7.3, 8.4, 13.1, 13.9

Greentube is focused on environmentally friendly mobility

Greentube's #GREENMACHINE, a fully electric Nissan Leaf, was delivered to Greentube Internet Entertainment Solutions GmbH in Austria at the beginning of 2019. It is a fleet vehicle and can thus be borrowed by any employee for business trips.



**Resource conservation**

In terms of NOVOMATIC business activities, it is production of gaming technology, in particular, that consumes various resources. This includes plastics, metals, electronic components, screens, cables, paints and varnish, up to and including timber products and various primary products. Due to high levels of vertical integration and the use of numerous different com-

modities, materials, and primary products in production, the conservation of resources is more than just about complying with local environmental laws, but is in fact a significant cost factor across all measures.

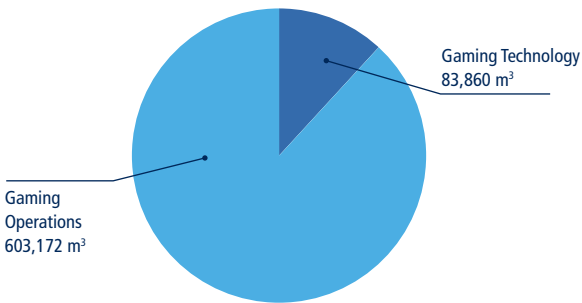
Resource management is strictly regulated in all production locations and adjusted to match local requirements and conditions.

| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020  |
|---|---|---|
| <p><b>RESOURCE CONSUMPTION &amp; WASTE</b></p>  | <p><b>Principles:</b></p> <ul style="list-style-type: none"> <li>• Reduce resource consumption, as well as waste and waste water</li> <li>• Highest possible degree of recyclability and lifespan for products</li> </ul>   |   |
| <ul style="list-style-type: none"> <li>• Increase sharing of good practice examples for reducing waste</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>• Detailed feedback to all companies regarding their ecological footprint in 2018, including recommendations for improvement</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>• Introduce reusable cups for coffee machines</li> <li>• Use biodegradable packaging for meals ‘to go’ in the company restaurant</li> <li>• Improve waste separation and reduction via awareness campaigns</li> <li>• Introduce movement sensors for lighting</li> <li>• Replace paper towel dispensers with hand dryers</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>• Reduce plastic waste in HQ locations Rome and Rimini</li> <li>• Collect used batteries and old cell phones (to donate)</li> </ul> <p><b>Spain:</b></p> <ul style="list-style-type: none"> <li>• Improved waste compression system</li> </ul> <p><b>Serbia:</b></p> <ul style="list-style-type: none"> <li>• Introduce a comprehensive waste separation system</li> <li>• Collect plastic bottle tops and cooperation with NGOs</li> <li>• Implement a ‘Recycling Day’ and an ECO campaign</li> </ul> <p><b>North Macedonia:</b></p> <ul style="list-style-type: none"> <li>• Introduce a comprehensive waste separation system</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>• Detailed feedback to all companies regarding their ecological footprint in 2019, including recommendations for improvement</li> <li>• Share good practice examples throughout the Group</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>• Optimize waste management (production)</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>• Improved garbage collection system in Rome and Rimini HQs</li> <li>• Switching to double-sided printing</li> <li>• Reduce plastic waste in HQ</li> </ul> <p><b>United Kingdom:</b></p> <ul style="list-style-type: none"> <li>• Reduce plastic waste at facilities</li> </ul> <p><b>Romania:</b></p> <ul style="list-style-type: none"> <li>• Reduce plastic waste at facilities</li> <li>• Switching to using recyclable water bottles at HQ</li> </ul> |

**Water**

Water is used in all locations for cleaning and sanitary applications. The total water consumption for use in production and cleaning, as well as for irrigation, sanitary facilities and other uses was 687,033 m<sup>3</sup> in 2019.

**WATER CONSUMPTION 2019**

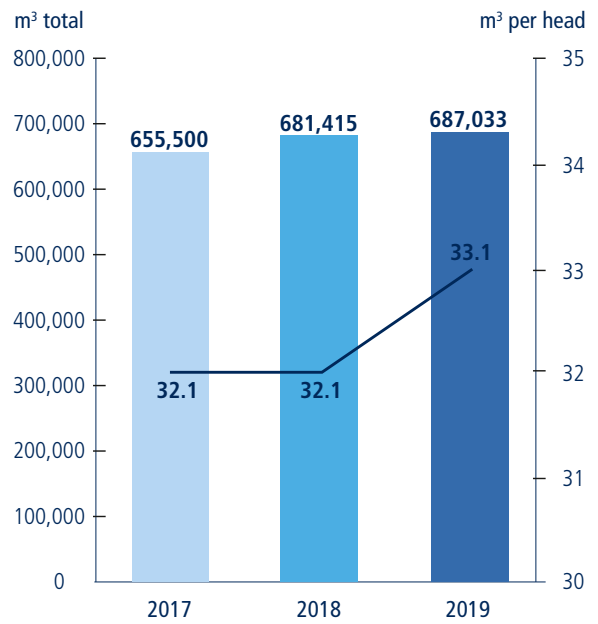


Water from the public water mains is included under water consumption. The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019.

The results show that the majority of water consumption came from gaming operations – as in the previous year. The goal is to continue to reduce total and relative water consumption in the future.

GRI 303-3

**WATER CONSUMPTION COMPARISON 2017 – 2019**



Water from the public water mains is included under water consumption. The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019. The information per head includes full-time employee equivalents for employees and workers not including absences (e.g. parental leave, longer sick leave). Changes to the previous year are caused largely by an increase in the number of operative gaming facilities and extended operating times, as well as due to the improved recording and extrapolation of water consumption carried out during the previous year.

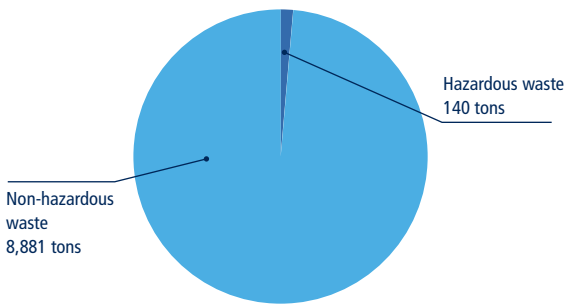
**Waste**

Production, in particular, produces non-hazardous and hazardous waste. The waste amounts, recorded for the first time in 2017, showed that only 6 % of waste is caused by Gaming Operations. For this reason, only waste from technology companies within the Group has been recorded from 2018 onwards. The total amount of waste in 2019 was 9,021 tons.

The results make it clear that the majority of waste produced is non-hazardous. This includes, for example, cardboard, metal,

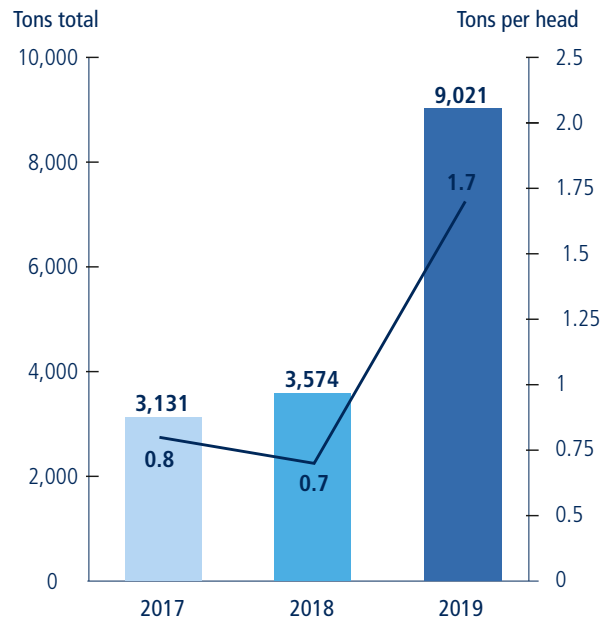
plastic, wood, glass, etc. The smaller amount is taken up by hazardous waste such as electronic waste, varnish, paint, and other hazardous materials. The goal is to continue to reduce total and relative waste volume in the future. Waste that cannot be avoided is separated into various categories, collected, and disposed of in accordance with the law. In addition to environmental protection, reduction of waste results in fewer costs for waste removal.

**WASTE 2019**



Non-hazardous waste includes: aluminum, glass, paper, cardboard, residual waste, plastic, metal, wood, etc.  
 Hazardous waste includes: Electronic waste, paints, oils, etc.  
 The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019.  
 Due to materiality, waste is only recorded for manufacturing technology companies.

**WASTE COMPARISON 2017- 2019**



The information per head includes full-time employee equivalents for employees and workers not including absences (e.g. parental leave, longer sick leave).  
 The display includes all directly available data. If data is not available it is extrapolated for all companies covered in the scope of Group consolidation 2019.  
 Due to materiality, waste is only recorded for manufacturing technology companies.  
 Changes to the previous year are caused almost exclusively by the changes required by German law, which meant that many machines had to be replaced. This caused a disproportionate amount of waste as the old machines had to be disposed of.

## Serbia increases employee environmental awareness

Last year in Serbia, the company held a Recycling Day and started a comprehensive ECO campaign. In doing so, it provided information to increase employee awareness regarding reducing waste and correctly separating garbage.



GRI 306-2

SDG 12.5

## Recyclability

NOVOMATIC does not create single-use products. New legal requirements or technical updates mean that used devices are sent to NOVOMATIC to be updated. This is known as refurbishment. After an in-depth technical inspection, various components, from monitors to circuit boards, can be switched out in working machines. Even without a specific customer request, functioning components from old machines are removed and refurbished. This means that refurbished components are available at all times. In addition and in some cases, entire used devices can be repaired so that they meet customer requirements. Due to requirements that change from year to year based on customer requests and country-specific regulations it is not possible to determine a set refurbishment rate. If it is reasonable and the customer requests it, NOVOMATIC aims for a very high refurbishment rate for its products.

There are a variety of procedures for used devices that are not refurbished. The large majority are stored at NOVOMATIC until, for example, they can be used on a different market. Badly damaged devices are removed and the pieces that cannot be recycled are sent to waste disposal. Some of the devices are refurbished in the country in question and then used again in the market.

In the last year, the Group produced or installed more than 30,000 gaming terminals and repaired around 10,000 terminals in the same time period. This represents a refurbishment rate of 32 %.

All other devices that cannot be used for refurbishment were properly disposed of as waste as per relevant laws, by either NOVOMATIC or the customer.

GRI 301-3



# ACTIVE IN THE COMMUNITY

This section provides a summary of the most important results and measures described in this chapter.

## OUR COMMITMENT ON RESPONSIBILITY

- "We contribute to society with sponsoring activities, donations, and volunteer activities."
- "We are active and responsible citizens and invest in our local communities."
- "We promote valuable partnerships and sustainable initiatives."

## DONATION FOCUS

- Urgent Help
- Help for self-help
- Regionality

### Criteria for selection:

- Certification with a donation seal of quality
- Transparency concerning the use of funds
- Long-term nature and scope of the effect

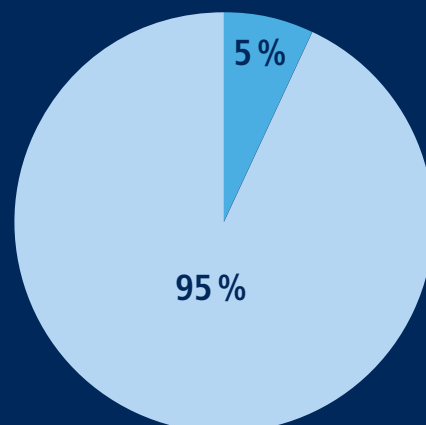
## SPONSORING FOCUS

- Sports & competition
- Art & culture
- Prevention & player protection
- Strengthening the Economy

### Criteria for selection:

- International and regional connection
- Promotion of education and talent
- Long-term cooperation in place of short-term activism

## Sponsoring- and Donations expenses in %



● Sponsoring ● Donations

# ACTIVE IN THE COMMUNITY

NOVOMATIC is an active participant in society and takes on social responsibility. Together, we want to provide a valuable contribution to society via sponsoring activities, donations, as well as volunteer activities.

NOVOMATIC takes social responsibility seriously, which is why we participate in sponsoring activities, provide donations, and support volunteer work. In order to better portray the relationship between success and sustainable corporate values, the company defined the areas to actively support through sponsoring activities and donations. This new focus came about after feedback from the stakeholder dialog as well as an internal evaluation of existing sponsoring and donation projects. The new focus, as well as the criteria defined for sponsoring activities and donations, provides a clear framework for making decisions and taking action. As such, external stakeholders know exactly which initiatives, donation requests, or ideas for volunteer work are worthy of support. The activities are coordinated by Group Marketing and Group Corporate Responsibility & Sustainability.

The following sections describe the management approach and the highlights of the company's activities over the last year. These are just a few examples of the numerous measures taken across the entire NOVOMATIC Group.

## Sponsoring Activities & Partnerships

Sponsoring activities are an important method of creating valuable partnerships with initiatives and partners that deserve support, and therefore of living up to our social responsibility. NOVOMATIC strives to support long-term partnerships and transparent implementation. These are the most important sponsoring activity criteria. After all, this is the only way to ensure a sustainable, positive effect.

*„Sponsoring activities relate to the planning, implementation, and monitoring of all activities connected to the provision of funds, equipment, services, or expertise by companies and institutions to support individuals and/or organizations in the areas of sport, culture, social issues, environment, and/or media in accordance with contractual regulations for services provided by the sponsor and those provided by the sponsored party in order to achieve combined marketing and corporate communication goals.“*

 Gabler Wirtschaftslexikon:  
[www.wirtschaftslexikon.gabler.de](http://www.wirtschaftslexikon.gabler.de)

### Sponsoring focus:

- Sports & competition
- Art & culture
- Prevention & player protection
- Strengthening the Economy

### Criteria for selection:

- International and regional connection
- Promotion of education and talent
- Long-term cooperation in place of short-term activism

As NOVOMATIC receives many requests, the company adheres strictly to these main focal areas. Every request is checked to see if it meets the criteria and an answer is provided as quickly as possible.

 GRI 103-2



| GOALS 2019   | HIGHLIGHTS 2019   | PLANNED 2020   |
|--|---|--|
| <p><b>SPONSORING ACTIVITIES &amp; PARTNERSHIPS</b></p> <ul style="list-style-type: none"> <li>Rigorous continuation of the sponsoring activity strategy</li> </ul> | <p><b>Principles:</b><br/>Long term partnerships in:</p> <ul style="list-style-type: none"> <li>Sports and competition</li> <li>Arts and culture</li> <li>Prevention &amp; player protection</li> <li>Strengthening the economy</li> </ul> <hr/> <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>2019, sponsoring activities were pinpointed in accordance with the sponsoring strategy</li> <li>Sponsoring criteria and processes were published on the Group website</li> <li>Sponsoring for expert conferences and events on the issue of player protection (e.g. European Association for the Study of Gambling (EASG))</li> <li>Support for platforms and working groups on gaming addiction prevention (e.g. EASG, American Gaming Association (AGA))</li> </ul> <p><b>Economy</b></p> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>Vienna Economic Forum (VEF), iconvienna BRAND GLOBAL SUMMIT, brand forum 2019 &amp; BRAND [LIFE] AWARD, Woman Leadership Forum, 4GAMECHANGERS Festival, Verein zur Förderung des Journalismus in Niederösterreich</li> </ul> <p><b>Sports &amp; Competition</b></p> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>230 sporting clubs, e.g. ADMIRAL basketball league, Austrian Football Association Cup, handcycling athlete Wolfgang Schattauer; paid employee's sporting event participation fees, e.g. Vienna City Marathon, Wings for Life, Vienna Charity Run, Erste Bank Open; new ADMIRAL brand ambassador David Hasselhoff active in Austria</li> </ul> <p><b>Germany:</b></p> <ul style="list-style-type: none"> <li>Deutsche Sporthilfe, International Stadium Festival in Berlin (ISTAF), many additional sports clubs, participation fees for employees taking part in running events</li> </ul> <p><b>Spain:</b></p> <ul style="list-style-type: none"> <li>Support for athletes taking part in the Olympics</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>Rigorous continuation of the sponsoring activity strategy</li> <li>Increase communication within subsidiaries regarding directing sponsoring activities</li> </ul> |

| GOALS 2019 | HIGHLIGHTS 2019   | PLANNED 2020 |
|------------|---|--------------|
|            | <p><b>Serbia:</b></p> <ul style="list-style-type: none"> <li>National sports clubs, Paralympic team</li> </ul> <p><b>Hungary:</b></p> <ul style="list-style-type: none"> <li>Sports arena Sopron "NOVOMATIC Arena"</li> </ul> <p><b>Online:</b></p> <ul style="list-style-type: none"> <li>Water polo</li> </ul> <p><b>Art &amp; Culture</b></p> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>A selection: cooperation with the Vienna State Opera for youth development within the framework of a scholarship program, sponsoring the ballet academy at the Vienna State Opera, Weltmuseum Vienna - Gallery Partner for the hall "Museomania", Lower Austrian Cultural Prize, regional cultural initiatives such as the Lower Austrian Tonkünstler Orchestra, the Bühne Baden Theater, the Tschauner Bühne theater in Vienna, the Roman City of Carnuntum, the Birgit Lauda (B.LA.) Art Foundation, the Schloss Weitra festival, the Wachau festival, and All for AUTISM (Art Agency of Irina Gulyaeva).</li> </ul> <p><b>Player protection</b></p> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>Long-term cooperation with the Anton Proksch Institute, the Medical University of Vienna (research projects on addiction research and addiction therapies), Cocoon Association</li> </ul> |              |

**Sports & competition**

Competition, and dealing with risks, play a special role in the gaming industry. That is why the company has partnered with sports federations and clubs, both in competitive and recreational sport.

**Art & culture**

When supporting art and culture, the focus is on support for activities that strengthen regional anchoring and international networking. For many years, the Group has fostered partnerships for sponsoring cultural institutions, cultural prizes, events, as well as associations.

**Prevention & player protection**

Player protection is not just important on-site at gaming facilities, it also takes on central importance in connection with sustainable funding. NOVOMATIC AG uses long-term partnerships to support initiatives that deliver important scientific information and help to improve treatment options.

**Strengthening the Economy**

As an internationally active company and a flagship Austrian enterprise, NOVOMATIC is committed to an open exchange with industry and the economy.



### 16<sup>th</sup> Vienna Economic Forum – Vienna Future Dialog 2019

The 16<sup>th</sup> Vienna Economic Forum (VEF) took place on November 18 in Vienna at the NOVOMATIC Forum, with EU Commissioner Mariya Gabriel in attendance. As part of this top-class economic dialog, national and international economic decisionmakers met with high powered political representatives from the VEF regions, a total of 34 countries. Harald Neumann, former CEO NOVOMATIC, Vice President of the Vienna Economic Forum and Honorary Consul for Romania in Lower Austria, emphasized in his welcome address the importance of the event in terms of supporting dialog and economic cooperation between Austria and South Eastern Europe.



Dr. Sonja Sagmeister-Brandner, Gunther Rabensteiner, Dr. Heinz Fischer, EU-Commissioner Mariya Gabriel, former Ambassador Dr. Elena Kirtcheva, Harald Neumann

### 1<sup>st</sup> International NOVOMATIC Marketing Summit

The first International NOVOMATIC Marketing Summit took place from May 9 to 10 2019, gathering a total of 60 experts from 22 countries at the Gumoldskirchen headquarters and the NOVOMATIC Forum in Vienna. The first day focused on analyzing market structures, strategic development of national and global marketing activities, as well as strategic sponsoring activities among other things. On the second day, participants attended themed workshops for developing measures to ensure successful collaboration between marketing departments worldwide.



### NOVOMATIC AG’s economic footprint

NOVOMATIC AG, ADMIRAL Casinos & Entertainment AG and ADMIRAL Sportwetten GmbH are considered important driving forces in the Austrian economy. Experts at the Economica Institut für Wirtschaftsforschung (Economica Institute for Economic Research) investigated the substantial economic effects of these companies on a national and regional level in 2018, and confirmed that NOVOMATIC and its subsidiaries contribute significantly to the economy, employment market, and taxes in Austria.

- Contribution of around EUR 900 million gross added value (incl. suppliers, goods, and services)
- EUR 385 million total tax revenue
- Guarantee of 3,884 direct and around 13,500 indirect (supply chain) jobs

## Donations & Volunteer Work

NOVOMATIC also supports charitable organizations as part of its social commitment. The company always ensures that all donations and grants are used as intended and that the funds it donates have the greatest possible impact.


**Donation focus:**

- Urgent help
- Help for self-help
- Regionality

**Criteria for selection:**

- Certification with a donation seal of quality
- Transparency concerning the use of funds
- Long-term nature and scope of the effect

*"Donations are voluntary contributions provided without any services in return, but usually made with a specific purpose in mind. The person or company donating has no economic expectations vis-à-vis the person or charity receiving the donation. There is no exchange of services between the person or company donating and the recipient of the donation."*

 Gabler Wirtschaftslexikon:  
www.wirtschaftslexikon.gabler.de


| GOALS 2019  | HIGHLIGHTS 2019   | PLANNED 2020  |
|---|---|---|
| <p><b>DONATIONS &amp; VOLUNTEER WORK</b></p> <ul style="list-style-type: none"> <li>• Rigorous implementation of donation focus</li> <li>• Expansion of the Corporate Volunteering approach within the Group</li> </ul> | <p><b>Principles:</b><br/>Support for charitable and effective initiatives focusing on:</p> <ul style="list-style-type: none"> <li>• Urgent help</li> <li>• Help for self-help</li> <li>• Regionality</li> </ul> <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>• 2019, donations were streamlined in accordance with the donation strategy</li> <li>• Donation criteria were published on the Group website</li> <li>• Blood donation drives in multiple countries</li> <li>• Support for gaming addiction treatment facilities in multiple countries</li> </ul> <p><b>Austria:</b></p> <ul style="list-style-type: none"> <li>• Licht ins Dunkel (national support campaign); Workers Samaritan Federation Austria, Rotary meets Health, Christmas in a shoe box (gifts for children in Eastern Europe), Ö3 grab bag for collecting old cell phones (donation of recyclable materials), Team Christkind (Christmas presents for children)</li> </ul> <p><b>Germany:</b></p> <ul style="list-style-type: none"> <li>• Volunteering project LÖWEN apprentices help, other donation projects</li> </ul> <p><b>Italy:</b></p> <ul style="list-style-type: none"> <li>• Multiple non-profit organizations, telethon initiative (charitable donations), clothing donation drive for Humana People to People</li> </ul> | <p><b>Group:</b></p> <ul style="list-style-type: none"> <li>• Rigorous continuation of the donations strategy</li> <li>• Increase communication within subsidiaries regarding directing donation drives</li> <li>• Austria: Continued implementation of the corporate volunteering project</li> </ul> |

| GOALS 2019 | HIGHLIGHTS 2019   | PLANNED 2020 |
|------------|---|--------------|
|            | <p><b>United Kingdom:</b></p> <ul style="list-style-type: none"> <li>• Tickets2Wishes (granting wishes to children)</li> </ul> <p><b>Spain:</b></p> <ul style="list-style-type: none"> <li>• Collection of 687 kg of food for those in need</li> </ul> <p><b>The Netherlands:</b></p> <ul style="list-style-type: none"> <li>• Donations in kind to Ronald McDonald House, support for Hierezitting Mestreech donation drive</li> </ul> <p><b>North Macedonia:</b></p> <ul style="list-style-type: none"> <li>• Church of St. George (Gjorgija)</li> </ul> <p><b>Romania:</b></p> <ul style="list-style-type: none"> <li>• World book day</li> </ul> <p><b>Hungary:</b></p> <ul style="list-style-type: none"> <li>• Emergency services, NOVOMATIC Hungária Foundation</li> </ul> <p><b>Poland:</b></p> <ul style="list-style-type: none"> <li>• Clothing donation drive for Kapitan Swiatelko Foundation</li> </ul> <p><b>Online:</b></p> <ul style="list-style-type: none"> <li>• Malta Community Chest Fund</li> </ul> |              |

NOVOMATIC receives many requests for donations. Because it is not possible to meet every request, there are clearly defined focal points and criteria for selecting those projects worthy of support. Every request is considered and answered in a timely manner. NOVOMATIC and its subsidiaries make numerous donations each year. The donations largely go towards local organizations or current issues.

 GRI 103-2

*“Volunteer work is understood to mean a donation of time and skills in order to provide services or complete tasks without expecting any direct financial compensation. Volunteer work is a type of donation.”*

 Gabler Wirtschaftslexikon:  
[www.wirtschaftslexikon.gabler.de](http://www.wirtschaftslexikon.gabler.de)

Another pillar of social commitment at NOVOMATIC is the donation of time and resources. Corporate Volunteering is an initiative through which the company supports socially beneficial projects by making use of the energy, expertise, and time of its employees.

The NOVOTeam, the volunteer project from NOVOMATIC, was thus brought to life in 2017. The goal is to donate time and resources to provide social contributions in the regions in which NOVOMATIC is active. Over the last few years, employees have already had the opportunity to take part in a variety of Corporate Volunteering projects.

### Lower Austrian Culture Award 2019

The state of Lower Austria has been awarding a Culture Award for substantial achievement and initiative since 1960. Each year, a variety of prizes are awarded in various categories, both for overall achievement and for specific works. In 2019, the Lower Austrian Cultural Prizes were awarded in the Festspielhaus St. Pölten. One achievement prize and two prizes for specific pieces were awarded in eight categories.



Amin Hak-Hagir, Stephanie Thor, Johannes Bode, Governor Johanna Mikl-Leitner, Petra Winkler, Stefan Krenn

### Second Hand Clothing Donation Drive in Italy

NOVOMATIC Italia supported the clothing donation drive run by Humana People to People. Employees collected more than 750kg of clothing. In comparison to newly produced clothing, this saved 4,590,000 liters of water, 2,754 kg of CO<sub>2</sub> emissions, 459 kg of fertilizer, and 230 kg of pesticides.



# STATEMENT BY THE EXECUTIVE BOARD

The following (consolidated) non-financial report was compiled in accordance with requirements of the Austrian Law on the "Improvement of Sustainability and Diversity (NaDiVeG)" and contains all information with regard to non-financial key figures. In addition, the company is dedicated to supporting the Sustainable Development Goals (SDGs), compliance with the United Nations Global Compact (UNGC) Principles, and implementation of the GRI-standards.

We confirm that, to the best of our knowledge, this report complies the §§ 243b and 267a of the Austrian Commercial Code, and provides an overview of the non-financial key figures that is as accurate as possible.

Gumpoldskirchen, March 23, 2020

The Executive Board of NOVOMATIC AG:



**Ryszard Presch**  
Member of the Executive Board



**Johannes Gratzl**  
Member of the Executive Board



# GRI-, SDG-, UNGC- AND NADIVEG-INDEX

The index herinafter provides a summary of the application of relevant Corporate Responsibility Guidelines and standards implemented by NOVOMATIC.

The following chart presents, in integrated form, the GRI Index as well as references to information regarding the SDG goals, UNGC Principles and the NaDiVeG requirements.

The material issues are listed based on their priority within the materiality matrix. In addition to a GRI label per material issue, the name used in the Annual Report is listed in brackets.

The index shows the applied guidelines and standards in each column. The rows contain the SDG Goals, UNGC Principles, GRI Indicators, and NaDiVeG requirements. The order of the contents is based on the GRI standards' standard information, and the priority of those issues identified as material.



| GRI standard                             | GRI disclosure  | Page numbers and references |
|--|---|-----------------------------|
| <b>GRI 101: Foundation 2016</b>          |   |                             |
| GRI 101                                  | Foundation 2016   |                             |
| <b>GRI 102: General Disclosures 2016</b> |   |                             |
| <b>Organizational profile</b>            |   |                             |
| GRI 102-1                                | Name of the organization  |                             |
| GRI 102-2                                | Activities, brands, products and services.                                    | Pages 25–39                 |
| GRI 102-3                                | Location of headquarters  |                             |
| GRI 102-4                                | Locations of operations   | Pages 12–13                 |
| GRI 102-5                                | Ownership and legal form  | Pages 6–7                   |
| GRI 102-6                                | Markets serviced  | Pages 12–13                 |
| GRI 102-7                                | Scale of the organization   | Pages 6–7, Pages 12–13      |
| GRI 102-8                                | Information on employees and other workers                                    | Page 84–86                  |
| GRI 102-9                                | Supply chain  | Page 81                     |
| GRI 102-10                               | Significant changes to the organization and its supply chain                  | Pages 14–15                 |
| GRI 102-11                               | Precautionary Principle or approach   |                             |
| GRI 102-12                               | External initiatives  | Page 47                     |
| GRI 102-13                               | Membership of associations  | Page 47                     |
| <b>Strategy</b>                          |   |                             |
| GRI 102-14                               | Statement from senior decision-maker  | Page 23                     |
| GRI 102-15                               | Key impacts, risks, and opportunities   | Pages 42–44                 |
| <b>Ethics and Integrity</b>              |   |                             |
| GRI 102-16                               | Values, principles, standards, and norms of behavior                          | Pages 50–51                 |
| GRI 102-17                               | Mechanisms for advice and concerns about ethics                               | Page 71–72                  |
| <b>Governance</b>                        |   |                             |
| GRI 102-18                               | Governance structure  | Page 52                     |
| GRI 102-19                               | Delegating authority  | Page 52                     |
| GRI 102-20                               | Executive-level responsibility for economic, environmental, and social topics | Page 52                     |
| GRI 102-21                               | Consulting stakeholders on economic, environmental, and social topics         | Pages 45–46                 |
| GRI 102-22                               | Composition of the highest governance body and its committees                 |                             |
| GRI 102-23                               | Chair of the highest governance body  |                             |
| <b>Stakeholder Engagement</b>            |   |                             |
| GRI 102-40                               | List of stakeholder groups  | Pages 44–46                 |
| GRI 102-41                               | Collective bargaining agreements  |                             |
| GRI 102-42                               | Identifying and selecting stakeholders  | Pages 44–46                 |
| GRI 102-43                               | Approach to stakeholder engagement  | Pages 44–46                 |
| GRI 102-44                               | Key topics and concerns raised  | Pages 44–46, Pages 48–49    |
| <b>Reporting Practice</b>                |   |                             |
| GRI 102-45                               | Entities included in the consolidated financial statements                    |                             |
| GRI 102-46                               | Defining report content and topic Boundaries                                  | Pages 48–49                 |
| GRI 102-47                               | List of material topics   | Pages 48–49                 |
| GRI 102-48                               | Restatements of information   | Page 57                     |
| GRI 102-49                               | Changes in reporting  | Page 57                     |
| GRI 102-50                               | Reporting period  | Page 57                     |
| GRI 102-51                               | Date of most recent report  | Page 57                     |
| GRI 102-52                               | Reporting cycle   | Page 57                     |
| GRI 102-53                               | Contact point for questions regarding the report                              | Page 57                     |
| GRI 102-54                               | Claims of reporting in accordance with the GRI Standards                      | Page 56                     |
| GRI 102-55                               | GRI content index   | Pages 118–125               |
| GRI 102-56                               | External assurance  | Pages 126–127               |

| References and notes on GRI, SDG, UNGC, NaDiVeG information and GRI omissions   | SDG Goals<br>UN Global Compact principles<br>NaDiVeG requirements | External audit focus |
|---|---|----------------------|
| The principles of reporting for determining the contents and quality of the report have been met.   |   |                      |
| NOVOMATIC AG  |   |                      |
| "NOVOMATIC in detail", "Management Report"<br>Wiener Straße 158, 2352 Gumpoldskirchen, Austria  | Business model  |                      |
| "NOVOMATIC: Global Operations"  | Business model  |                      |
| "Organizational Chart"  |   |                      |
| "NOVOMATIC: Global Operations"  | Business model  |                      |
| "Organizational Chart", "NOVOMATIC Global Operations", "Consolidated Financial Statement"   | Business model  |                      |
|   | Business model  |                      |
|   | Business model  |                      |
| "Growth of the NOVOMATIC Group", "Consolidated Financial Statement"   | Business model  |                      |
| The precautionary approach is shown separately for the individual fields of action.   | UNGC: Principle 7   |                      |
| "Foreword"  |   |                      |
|   | SDG 16 Peace, Justice and strong institutions<br>Target 16.3      |                      |
| The NOVOMATIC AG Group Executive Board is the highest governing body, and delegates authority regarding economic, ecological, and social issues.  |   |                      |
| "Organs of the company"   |   |                      |
| "Organs of the company"   |   |                      |
| In countries in which there are corresponding provisions for collective bargaining, these also apply to the employment contracts. Thus, the percentage is 100 %.  |   |                      |
| How the organization had reacted to material topics can be found in the respective topic chapters and management approaches.<br>The topics per stakeholder group are not presented in detail.   |   |                      |
| "Other information", non-financial information and data in the non-financial report were recorded by direct data collection or via extrapolation to the consolidation scope of NOVOMATIC AG Group.  | Business model  |                      |
| Explanations within the text, as well as footnotes in the case of key figures and graphs.   |   |                      |
| Unless otherwise stated, all information and data refer to the 2019 fiscal year from 1/1/2019 to 12/31/2019. Figures are taken from the cut-off date of 12/31/2019.   |   |                      |
| 25 April 2019 Annual Report 2018 – NOVOMATIC AG Group   |   |                      |
| Annually  |   |                      |
| The Group CR management is responsible  |   |                      |
| E-mail: CR@novomatic.com, phone: +43 2252 606 0   |   |                      |
| This report was created in accordance with the GRI-standards: Option 'core'.  | National, union-based and international frameworks                |                      |
| This non-financial report was audited by the certified public accounting firm Deloitte Audit Wirtschaftsprüfungs GmbH in regards to selected information and fulfillment of the requirements in the Austrian Law on the Improvement of Sustainability and Diversity.<br>For details, see the audit report for the non-financial report. |   |                      |

| GRI standard  | GRI disclosure   | Page numbers and references   |
|---|--|---|
| <b>GRI 103: Management Approach 2016</b>  |  |   |
| GRI 103-1   | Explanation of the material topic and its Boundary   | Pages 48–51   |
| GRI 103-2   | The management approach and its components   | Pages 50–51,<br>Pages 61–62,<br>Pages 74–75,<br>Pages 86–88,<br>Pages 97–98,<br>Pages 110–114 |
| GRI 103-3   | Evaluation of the management approach  | Pages 48–49   |
| <b>Player Protection (no GRI Standards)</b>   |  |   |
| No GRI Indicators   | Information on dealing with player protection  | Pages 62–69   |
| <b>GRI 416: Customer Health and Safety 2016 (responsible marketing)</b>                         |  |   |
| GRI 416-1   | Assessment of the health and safety impacts of product and service categories                | Pages 64–66   |
| <b>GRI 417: Marketing and Labeling 2016 (responsible marketing)</b>                             |  |   |
| GRI 417-1   | Requirements for product and service information and labeling                                | Pages 61–62   |
| <b>GRI 205: Anti-corruption 2016 (corruption &amp; money laundering prevention)</b>             |  |   |
| GRI 205-2   | Communication and training about anti-corruption policies and procedures                     | Pages 76–77   |
| GRI 205-3   | Confirmed incidents of corruption and actions taken  | Pages 76–77   |
| <b>GRI 201: Economic Performance 2016 (local anchoring)</b>                                     |  |   |
| GRI 201-1   | Direct economic value generated and distributed  |   |
| <b>GRI 403: Occupational Health and Safety 2018 (occupational safety &amp; employee health)</b> |  |   |
| GRI 403-6   | Promotion of worker health   | Pages 91–92   |
| GRI 403-9   | Work-related injuries  | Pages 90–92   |
| <b>GRI 418: Customer Privacy 2016 (data protection)</b>   |  |   |
| GRI 418-1   | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Page 78   |
| <b>GRI 405: Diversity and Equal Opportunity 2016 (employee diversity &amp; equal treatment)</b> |  |   |
| GRI 405-1   | Diversity of governance bodies and employees   | Pages 93–94   |

| References and notes on GRI, SDG, UNGC, NaDiVeG information and GRI omissions  | SDG Goals<br>UN Global Compact principles<br>NaDiVeG requirements  | External audit focus   |
|--|--|--|
| <p>The identification and delimitation of material fields of action is provided by the materiality matrix and the description provided in each paragraph (for material issues, see the headings in this index).<br/>The impact of business activities, as well as participation of the organization in same, are represented in the business model chart, as well as per issue in the relevant chapters.<br/>Limitations and exclusions are covered in the "GRI-, SDG-, UNGC-, and NaDiVeG-Index".</p>   |  |  |
| <p>The management approach to strategic CR fields of action is explained in the chapter "CR Management".<br/>The management approach for the material issues in these fields of action is explained at the beginning of each chapter on the issue, and a short description is given for each paragraph on the issue.<br/>In addition, information is provided in the summary pages at the beginning of each chapter, goals, measures taken in previous years, and measures for the coming year.</p>  |  |  |
| <p>The "CR Management" chapter describes in detail how the effectiveness of the management approach is audited and improved for each issue.<br/>The chapter "Always Compliant" describes the mechanism for auditing the management approach.</p>   | Applied due diligence processes  |  |
| <p>No GRI, SDG, UNGC, and NaDiVeG equivalents</p>  |  | Overview of responsible entertainment measures G4 certified companies            |
| <p>100 % of the relevant product and service categories were checked for effects on the health and safety of customers as well as with regard to potential for improvement.</p>  | Industry-specific issues   |  |
| <p>100 % of the services offered within the Group must meet the relevant and applicable legal requirements. Also the group guidelines on social, ecological, and governance aspects apply to all subsidiaries.</p>   | Industry-specific issues   |  |
| <p>All members of the Supervisory Board, the Executive Board, as well as all employees in all countries of the Group, have access to the anticorruption guideline on the Group-wide Intranet "NOVONET" and must implement it.<br/>In addition, training sessions for executives are carried out in all companies and countries on the issues.<br/>The supervisory board does not receive this training.<br/>The total number and percentage of employees trained to combat corruption are not reported due to data constraints.</p>  | SDG 16 Peace, Justice and strong institutions, Target 16.5<br>UNGC: Principle 10<br>NaDiVeG: Fighting Corruption and bribery                     | Correct implementation of the indicator and information about it.                |
| <p>Based on the available reports, there was in 2019 no confirmed corruption incident across the group.<br/>At the time of publication, an investigation is ongoing in connection with allegations of corruption against representatives of the organization and the organization itself (association responsibility) on the basis of an anonymous report.<br/>Another procedure was initiated at a subsidiary and will be terminated in 2020.</p>   | SDG 16 Peace, Justice and strong institutions Target 16.5<br>UNGC: Prinzip 10<br>NaDiVeG: Fighting Corruption and bribery                        | Correct implementation of the indicators and information about it.               |
| <p>"Consolidated Financial Statements NOVOMATIC", "Earning Positions", "Key Figures" and "Segment Analysis"</p>  | SDG 8 Decent work and Economic Growth, Targets 8.1, 8.2  |  |
| <p>The company enables all staff who are not salaried employees the same scope and access to non-occupational health services like the regular employees.</p>  | SDG 3 Good Health and Wellbeing, Target 3.9<br>NaDiVeG: Social & Employee Issue  | Sick leave rate (percentage of employees who were off sick for at least one day) |
| <p>In order to ensure high comparability and validity, the international indicator known as the Lost Time Injury Frequency Rate (LTIFR) is used to calculate the accident rate.<br/>To do this, the number of work accidents that must be reported in accordance with local law and requiring at least three days absence is compared with the number of hours worked in the same period for each million work hours.<br/>LTIFR = number of work accidents that must be reported and requiring at least three days absence / number of hours worked x 1,000,000<br/>There were no work-related deaths in 2019.<br/>Number and rate of work-related injuries, number of hours worked as well as work-related dangers and risks are due to data limitation not reported.</p> | SDG 8 Decent work and Economic Growth Target 8.8<br>NaDiVeG: Social & Employee Issues  |  |
| <p>Over the last year, there were no justified complaints made by customers regarding violation of protection of personal data, insofar as recorded Group-wide by various systems.<br/>NOVOMATIC reported a violation of the protection of personal data to the relevant authority. After evaluating the facts, the authority closed the case.</p>   | SDG 16 Peace, Justice and strong institutions Target 16.3<br>NaDiVeG: Industry-specific issues   |  |
| <p>The percentage of salaried employees per category of salaried employee, as well as division into age groups, was not reported due to data limitations.</p>  | SDG 5 Gender Equality, Target 5.1<br>SDG 8 Decent work and Economic Growth, Target 8.5<br>UNGC: Principle 6<br>NaDiVeG: Social & employee issues |  |

| GRI standard  | GRI disclosure  | Page numbers and references |
|---|---|-----------------------------|
| <b>GRI 404: Training and Education 2016</b>   |   |                             |
| GRI 404-1   | Average hours of training per year per employee                             | Pages 88–89                 |
| GRI 404-2   | "Programs for upgrading employee skills and transition assistance programs" | Pages 88–89                 |
| <b>GRI 308: Supplier Environmental Assessment 2016 (supplier responsibility)</b>                              |   |                             |
| GRI 308-1   | New suppliers that were screened using environmental criteria               | Page 81                     |
| <b>GRI 414: Supplier Social Assessment 2016 (supplier responsibility)</b>                                     |   |                             |
| GRI 414-1   | New suppliers that were screened using social criteria                      | Page 81                     |
| <b>GRI 306: Effluents and Waste 2016 (waste)</b>  |   |                             |
| GRI 306-2   | Waste by type and disposal method   | Pages 106–107               |
| <b>GRI 301: Materials (resource consumption, recyclability) 2016</b>  |   |                             |
| GRI 301-3   | Reclaimed products and their packaging materials                            | Page 107                    |
| <b>GRI 302: Energy 2016 (energy consumption &amp; emissions)</b>  |   |                             |
| GRI 302-1   | Energy consumption within the organization                                  | Pages 100–101               |
| GRI 302-3   | Energy Intensity  | Pages 100–101               |
| <b>GRI 305: Emissions 2016 (energy consumption &amp; emissions, emissions from transport &amp; logistics)</b> |   |                             |
| GRI 305-1   | Direct (Scope 1) GHG emissions  | Pages 102–103               |
| GRI 305-2   | Energy indirect (Scope 2) GHG emissions                                     | Pages 102–103               |
| GRI 305-3   | Other indirect (Scope 3) GHG emissions                                      | Pages 102–103               |
| GRI 305-4   | GHG emissions intensity   | Page 103                    |

| References and notes on GRI, SDG, UNGC, NaDiVeG information and GRI omissions   | SDG Goals<br>UN Global Compact principles<br>NaDiVeG requirements   | External audit focus   |
|---|---|--|
| Division based on gender and category of salaried employee was not reported due to data limitations.  | SDG 4 Quality Education, Target 4.5<br>SDG 5 Gender Equality, Target 5.1<br>SDG 8 Decent work and Economic Growth, Targets 8.2, 8.5<br>NaDiVeG: Social and Employee Issues  |  |
| "Enjoy Working with Us", "Training and Further Education", "Employee Diversity & Equality"  | SDG 4 Quality Education<br>SDG 8 Decent work and Economic Growth, Target 8.5<br>NaDiVeG: Social and Employee Issues   |  |
| Past year, around 31 % of NOVOMATIC AG Group suppliers were evaluated based on environmental criteria (e.g. environmental standard ISO 14001). The degree of certification of all companies with key suppliers has been measured and weighted by the FTE share of respective companies. For the future, there are plans to improve the data situation and the purchasing principles (Supplier Code of Conduct) at all companies with key suppliers.   | UNGC: Principles 8 & 9<br>NaDiVeG: Environmental concerns   | Correct implementation of the indicators and information about it. |
| Past year, around 43 % of NOVOMATIC AG Group suppliers were evaluated based on social criteria (e.g. occupational safety standard OHSAS 18001). The degree of certification of all companies with key suppliers has been measured and weighted by the FTE share of respective companies. For the future, there are plans to improve the data situation and the purchasing principles (Supplier Code of Conduct) at all companies with key suppliers.  | SDG 8 Decent work and Economic Growth, Target 8.8<br>NaDiVeG: Social and Employee Issues  | Correct implementation of the indicators and information about it. |
| The breakdown of waste removal procedures and methods was not reported due to data limitations.   | SDG 3 Good Health and Wellbeing, Target 3.9<br>SDG 12 Responsible Consumption and Production, Target 12.5<br>UNGC: Principles 7 & 8<br>NaDiVeG: Environmental concerns  |  |
| The percentage of gaming devices with recyclable components as compared to the total number produced within past year is reported as a percentage value. Packaging materials were not included in the report due to data limitations.   | UNGC: Principles 7 & 8<br>NaDiVeG: Environmental concerns   |  |
| Energy used for heating and cooling is included in the values for district heating, natural gas, and electricity consumption. The conversion factors are derived from the following source: Umweltbundesamt Datenstand August 2018 <a href="http://www5.umweltbundesamt.at/emas/co2mon/co2mon.html">http://www5.umweltbundesamt.at/emas/co2mon/co2mon.html</a> For 17 % of the companies based on the FTE number, renewable energy is sourced with 0 CO <sub>2</sub> emissions.   | SDG 7 Affordable and clean Energy, Targets 7.2, 7.3<br>SDG 8 Decent work and Economic Growth Target 8.4<br>SDG 12 Responsible Consumption and Production Target 12.5<br>SDG 13 Climate Action Target 13.1<br>UNGC: Principles 7 & 8<br>NaDiVeG: Environmental concerns  | Transport energy (gasoline and diesel consumption in car fleet)    |
| The energy intensity was calculated on the basis of the energy consumption of the respective energy types and as the quotient of the full-time employee equivalents (FTEs) of employees and workers excluding absenteeism (e.g. maternity leave, long sick leave). Energy consumption for the Group scope of consolidation is shown.  | SDG 7 Affordable and clean Energy, Targets 7.2, 7.3<br>SDG 8 Decent work and Economic Growth, Target 8.4<br>SDG 12 Responsible Consumption and Production, Target 12.5<br>SDG 13 Climate Action, Target 13.1<br>UNGC: Prinzip, 7 & 8<br>NaDiVeG: Environmental concerns | Transport energy (gasoline and diesel consumption in car fleet)    |
| No greenhouse gases other than CO <sub>2</sub> were recorded, as CO <sub>2</sub> has been identified as most material emission factor in the materiality assessment. The conversion factors are derived from the following source: UK government "Conversion factors 2018 – Condensed set (for most users)" <a href="https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018">https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018</a> Data is based on the international Greenhouse Gas Protocol (GHG): <a href="https://ghgprotocol.org/corporate-standard">https://ghgprotocol.org/corporate-standard</a> | SDG 3 Good Health and Wellbeing, Target 3.9<br>SDG 13 Climate Action, Target 13.1<br>UNGC: Principles 7 & 8<br>NaDiVeG: Environmental concerns  |  |
| No greenhouse gases other than CO <sub>2</sub> were recorded, as CO <sub>2</sub> has been identified as most material emission factor in the materiality assessment. The conversion factors are derived from the following source: UK government "Conversion factors 2018 – Condensed set (for most users)" <a href="https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018">https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018</a> Data is based on the international Greenhouse Gas Protocol (GHG): <a href="https://ghgprotocol.org/corporate-standard">https://ghgprotocol.org/corporate-standard</a> | SDG 3 Good Health and Wellbeing, Target 3.9<br>SDG 13 Climate Action, Target 13.1<br>UNGC: Principles 7 & 8<br>NaDiVeG: Environmental concerns  |  |
| No greenhouse gases other than CO <sub>2</sub> were recorded, as CO <sub>2</sub> has been identified as most material emission factor in the materiality assessment. Only emissions from passenger air transport were recorded directly. The emissions of the rented and sold devices were calculated using an extrapolation. Here, a CO <sub>2</sub> factor of 500 kg / MWh was assumed based on the average CO <sub>2</sub> intensity factor for electricity consumption in the Group.  | SDG 3 Good Health and Wellbeing, Target 3.9<br>SDG 13 Climate Action, Target 13.1<br>UNGC: Principles 7 & 8<br>NaDiVeG: Environmental concerns  |  |
| No greenhouse gases other than CO <sub>2</sub> were recorded, as CO <sub>2</sub> has been identified as most material emission factor in the materiality assessment. The CO <sub>2</sub> -intensity was calculated on the basis of the energy consumption shown and the resulting scope 1-, 2- and 3-emissions of the respective energy types and as the quotient the full time employee equivalents (FTEs) of the employees and workers excluding absenteeism (e.g. maternity leave, long sick leave). CO <sub>2</sub> -emissions for Scope 1, 2 and 3 are shown.  | SDG 3 Good Health and Wellbeing, Target 3.9<br>SDG 13 Climate Action, Target 13.1<br>UNGC: Principle 7 & 8<br>NaDiVeG: Environmental concerns   |  |

| GRI standard   | GRI disclosure  | Page numbers and references |
|--|---|-----------------------------|
| <b>GRI 412: Human Rights Assessment 2016 (human rights)</b>  |   |                             |
| GRI 412-1  | "Operations that have been subject to human rights reviews or impact assessments" | Pages 82–83                 |
| <b>Security (no GRI Standards)</b>   |   |                             |
|  | Information on security   | Pages 79–81                 |
| <b>GRI 206: Anti-competitive Behavior 2016 (fair competition)</b>  |   |                             |
|  | "Legal actions for anti-competitive behavior, anti-trust, and monopoly practices" | Page 83                     |
| <b>Public Affairs (no GRI Standards)</b>   |   |                             |
|  | "Information on public affairs activities"  | Page 83                     |
| <b>GRI 303: Water and Effluents 2018 (resource consumption)</b>  |   |                             |
| GRI 303-3  | Water withdrawal  | Page 105                    |
| <b>Innovation (no GRI Standards)</b>   |   |                             |
|  | Information on innovation   | Page 95                     |
| <b>Sponsoring (no GRI Standards)</b>   |   |                             |
|  | Information on sponsoring activities, donations, and volunteer work               | Pages 108–115               |
| <b>United Nations Global Compact Specific Information</b>  |   |                             |
|  | UNGC support  | Page 116                    |
|  | Freedom of association  |                             |
|  | Forced labor  |                             |
|  | Child labor   |                             |
| <b>General Standards in Regards to the Austrian Law on the Improvement of Sustainability and Diversity</b> |   |                             |
|  | Material issues   | Page 49                     |
|  | Description of the business model   | Pages 44–45                 |
|  | Concepts used per issue   |                             |
|  | Results of concepts   |                             |
|  | Applied due diligence   | Pages 76–77                 |
|  | Material risks  | Pages 72–75                 |
|  | Non-financial performance indicators  |                             |
|  | Application of international frameworks   | Pages 53–56                 |

| References and notes on GRI, SDG, UNGC, NaDiVeG information and GRI omissions  | SDG Goals<br>UN Global Compact principles<br>NaDiVeG requirements   | External audit focus                           |
|--|---|--|
| <p>NOVOMATIC is committed to comply with human rights, in particular the principles of the United Nations Global Compact (UNGC) and the OECD guidelines for multinational companies.<br/>All subsidiaries in all countries must comply with legal requirements regarding human rights.<br/>Furthermore, the Group-wide Code of Conduct, which also refers to topics relevant to human rights, must be observed by all employees.<br/>Compliance with human rights is checked by reporting via the whistleblowing hotline.<br/>Number and percentage of sites checked are not reported due to the data situation.</p> | <p>UNGC: Principles 1 &amp; 2<br/>NaDiVeG: Respect for Human Rights</p>   |  |
| <p>No GRI or UNGC equivalents.</p>   | <p>NaDiVeG: Social &amp; Employee Issues</p>  |  |
| <p>There have been no legal proceedings for anti-competitive behavior in the past year.</p>  | <p>SDG 16 Peace, Justice and strong institutions, Target 16.3</p>   |  |
| <p>No GRI or UNGC equivalents.</p>   | <p>NaDiVeG: Industry-specific issues</p>  |  |
| <p>All water consists of fresh water and is taken from the public water supply network (i.e. from third parties).<br/>There is no removal from areas with water stress.</p>  | <p>UNGC: Principles 7 &amp; 8<br/>NaDiVeG: Environmental concerns</p>   |  |
| <p>No GRI or UNGC equivalents.</p>   | <p>UNGC: Principles 9<br/>NaDiVeG: Industry-specific issues</p>   |  |
| <p>No GRI or UNGC equivalents.</p>   | <p>NaDiVeG: Industry-specific issues</p>  |  |
| <p>Executive Board commitment to support UNGC principles.</p>  | <p>UNGC: Principles 1–10</p>  |  |
| <p>NOVOMATIC respects the right to freedom of association in all subsidiaries.<br/>Employment contracts within the subsidiaries are subject to various degrees of collective bargaining agreements.</p>  | <p>UNGC: Principles 3</p>   |  |
| <p>NOVOMATIC is against any form of forced labor within its business and that of suppliers.</p>  | <p>UNGC: Principles 4</p>   |  |
| <p>NOVOMATIC is against any form of child labor within their business and that of suppliers.</p>   | <p>UNGC: Principles 5</p>   |  |
| <p>For all material issues the context of business activities, concepts, results of concepts, applied due diligence, material risks and non-financial performance indicators are described in the relevant chapters and paragraphs.<br/>All material issues are covered in the materiality matrix.</p>   | <p>NaDiVeG: Material issues</p>   | <p>Audit for legally compliant publication</p> |
| <p>See introduction on respective chapters and issue paragraphs.</p>   | <p>NaDiVeG: Business model</p>  | <p>Audit for legally compliant publication</p> |
| <p>See key figures and tables of measures for the respective topics.</p>   | <p>NaDiVeG: Applied concepts</p>  | <p>Audit for legally compliant publication</p> |
| <p>See key figures and tables of measures for the respective topics.</p>   | <p>NaDiVeG: Result of concepts</p>  | <p>Audit for legally compliant publication</p> |
| <p></p>  | <p>NaDiVeG: Due diligence processes</p>   | <p>Audit for legally compliant publication</p> |
| <p></p>  | <p>NaDiVeG: Material risks</p>  | <p>Audit for legally compliant publication</p> |
| <p>See key figures in the respective chapters and issue paragraphs as well as the flap and the key figures appendix to the non-financial report.</p>   | <p>NaDiVeG: Non-financial performance indicators</p>  | <p>Audit for legally compliant publication</p> |
| <p>Non-financial reporting is carried out in accordance with the reporting standards listed in the Global Reporting Initiative (GRI), with the Sustainable Development Goals (SDGs), and taking into account the United Nations Global Compact (UNGC) principles.</p>  | <p>SDG 12 Responsible Consumption and Production, Target 12.6<br/>NaDiVeG: National, union-based and international frameworks</p> | <p>Audit for legally compliant publication</p> |



# COURTESY TRANSLATION OF THE INDEPENDENT ASSURANCE

on Non-Financial Reporting\*

## Introduction

We performed procedures to obtain limited assurance on the following information stated in the (consolidated) non-financial report as of December 31, 2019: „Responsible Entertainment Measures: Summary“, „G4 certified entities“, „sick leave rate (percentage of employees that took at least one sick day)“, „transport energy (diesel and petrol consumption by the company's vehicle fleets)“ as well as the GRI Standard disclosures „205-2 (2016) Communication and training about anti-corruption policies and procedures“, „205-3 (2016) Confirmed incidents of corruption and actions taken“, „308-1 New suppliers that were screened using environmental criteria“, „414-1 (2016) New suppliers that were screened using social criteria“. Furthermore, we performed procedures to obtain limited assurance on whether the reported information meets the reporting requirements of §§ 243b and 267a UGB (Austrian Commercial Code) (NaDiVeG).

## Responsibility of the Management

The preparation of the report in accordance with the reporting principles as well as the selection of the scope of the engagement is the responsibility of the management of NOVOMATIC AG. The reporting principles include the Sustainability Reporting Standards (GRI Standards: Core Option) issued by the Global Sustainability Standards Board (GSSB) and the reporting requirements mentioned in §§ 243b and 267a UGB (NaDiVeG).

This responsibility includes the selection and application of appropriate methods for preparing the report as well as the usage of assumptions and estimates of individual non-financial disclosures that are appropriate under the given circumstances. The responsibility of the management includes further designing, implementing and maintaining internal controls which they have determined necessary for the preparation of a report that is free from material misstatements – whether due to fraud or error.

## Responsibility of the Auditor

Our responsibility is to express an opinion with limited assurance on whether, based on our audit procedures, matters have come to our attention that cause us to believe that the non-financial information in the (consolidated) non-financial report as of December 31, 2019 has not been prepared, in all material respects, in accordance with the reporting criteria.

We conducted our engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) in order to obtain limited assurance on the subject matters.

ISAE 3000 (Revised) requires us to plan and perform the engagement in a way that enables us to obtain limited assurance that nothing has come to our attention that causes us to believe that the non-financial information stated in the (consolidated) non-financial report as of December 31, 2019 have not, in any material aspect, been prepared in accordance with the reporting criteria.

In a limited assurance engagement, the evidence-gathering procedures are more limited than in a reasonable assurance engagement, and therefore less assurance can be obtained. The choice of audit procedures lies in the due discretion of the auditor.

As part of our audit, we have performed, among others, the following audit procedures and other activities to the extent that they are relevant to the limited assurance engagement:

- Interview of the employees named by NOVOMATIC AG regarding the sustainability strategy, sustainability principles and sustainability management

\* **Attention:** This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

- Interview of employees of NOVOMATIC AG to assess the methods of data collection, data processing and internal controls
- Review the definitions of the key performance indicators regarding accuracy and clarity
- Execution of a media analysis
- Site-Visit in the Netherlands (Waalwijk)
- Comparison of the non-financial disclosures shown in the (consolidated) non-financial report with the calculation documents provided
- Furthermore, we conducted procedures regarding whether the reporting requirements of §§ 243b and 267a UGB (NaDiVeG) were met with the (consolidated) non-financial report.

## Summarized Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial information relevant to the audit and disclosed in the (consolidated) non-financial report as of December 31, 2019 have not, in any material aspects, been prepared in accordance with the reporting criteria.

## Engagement Approach

The basis for this engagement are the “General Conditions of Contract for the Public Accounting Professions,” (“Allgemeine Auftragsbedingungen für Wirtschaftstreuhandberufe”, “AAB 2018”) as issued by the Austrian Chamber of Tax Advisers and Auditors on April 18, 2018. In accordance with chapter 7 of the AAB 2018, our liability shall be limited to intent and gross negligence. In cases of gross negligence, our liability is limited to a maximum of five times the auditor’s fee. This amount constitutes a total maximum liability cap, which may only be utilized once up to this maximum amount, even if there is more than one claimant or more than one claim has been asserted.

Vienna, March 23, 2020

### Deloitte Audit Wirtschaftsprüfungs GmbH

**Gerhard Marterbauer**  
Austrian Certified  
Public Accountant

**Walter Müller**  
Austrian Certified  
Public Accountant

# IMPRINT

In order to improve readability, some terminology is used only in its masculine form. Nevertheless, all passages refer equally to members of both genders.

We have prepared this report with the utmost care and have checked the data therein. Nevertheless, errors arising from rounding, typesetting or printing cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

This report includes forward-looking statements based on information currently available to us. These forward-looking statements are usually identified by expressions such as "expect", "estimate", "plan", "calculate", etc. Please note that various factors could cause actual circumstances – and therefore also actual results – to deviate from the expectations outlined in this report. Statements referring to people apply to both men and women.

This annual report is available in German. In the event of disputes, the German version shall take precedence.

## **Media Owner and Publisher**

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**NOVOMATIC AG:** Group Communications,  
Group CR & Sustainability and Group Finance  
**Editorial deadline:** April 3, 2020

## **Concept und Design**

**NOVOMATIC AG:** Group Marketing and  
Kobza and the Hungry Eyes GmbH

## **Photos**

ADMIRAL, gamblewise, Global Gambling Guidance Group, Greentube, Joachim Haslinger, Pedro Jaen, KTHE, Thomas Meyer Photography, NOVOMATIC, NOVOMATIC Italia, NOVOMATIC Netherlands, NOVOMATIC Serbia, NOVOMATIC Spain, NOVOMATIC UK, Gabriel Popa, Markus Rössle, Katharina Schiffl, United Nations, United Nations Global Compact, Vienna Economic Forum

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