



NOVOMATIC AG

Investor Relations Newsletter

Financial Year 2018



NOVOMATIC Headquarters | Gumpoldskirchen

TABLE OF CONTENTS

4

Foreword
by the CEO

6

Organization
of the NOVOMATIC-Group

8

Overview of Key Figures

10

Highlights
Financial Year 2018

12

Business Performance

14

Segment Analysis

20

Abstract Financial Statement



Harald Neumann | Chief Executive Officer, NOVOMATIC AG

GLOBAL SUCCESS WITH PASSIONATE DEDICATION OUR VISION

Dear Ladies and Gentlemen,

The NOVOMATIC AG Group was once again able to increase its profits in the 2018 fiscal year. With a total of EUR 2,613.6 million compared to EUR 2,366.1 million in 2017, the company achieved historic results. This corresponds to a growth rate of 10.5 percent against the previous year, with the area of gaming machine proceeds during the year under review performing particularly well.

The focus is currently on consolidating the rapid growth of the past few years, which was driven by the purchase of various companies. In parallel, the company is beginning to increase the synergy potential. The focus of these efforts is on the transnational optimization of internal processes and structures.

It is very gratifying to note that the company's importance and reliability is frequently the subject of external recognition. For example, for the second consecutive time, NOVOMATIC received the prestigious Global Gaming Award in the category of "Casino Supplier of the Year."

In addition, NOVOMATIC was awarded 1st place in the leisure industries category of the Austrian Economic Chamber's Export Prize. As a globally operating gaming technology group with exports to more than 70 countries, this prize represents more than just high praise for NOVOMATIC's successful international engagement, it also confirms that the leading European

company provides a significant contribution to Austria's success as an exporter. A study by the prestigious Economica Institute of Economic Research that focused on economic effects on a national and regional level highlights the company's importance within Austria's economy.

Of course, NOVOMATIC is also committed to socially responsible and environmentally sustainable company development. This takes into account – in addition to economic aspects – environmental, social, and employee issues, respect for human rights, the fight against corruption and bribery, and other material issues. In the Non-Financial Report you will find information on company successes, goals, activities, and performance indicators within the five strategic corporate responsibility fields of action. NOVOMATIC employees are a key component of the company's continued success in the future. This is why NOVOMATIC invests in its employees in order to increase satisfaction and create the best possible working environment. The company has introduced multiple measures during this fiscal year that strengthen this investment, such as the NOVOSilverFamily, NOVOMoms&Dads, and the NOVOCCompany Day.

Best regards,



Harald Neumann
CEO/NOVOMATIC AG

NOVOMATIC-Group



Novo Invest GmbH
(Austria, 100%)



NOVO SWISS AG
and its subsidiaries (Switzerland, 100%)



NOVOMATIC AG Group**
(Austria, 89.96 % Novo Invest GmbH and 10.04 % NOVO SWISS AG) holding, R&D, production, sales



 **AUSTRIA**

NOVOMATIC Gaming Industries GmbH*

(100 %) R&D, production, sales

ADMIRAL Casinos & Entertainment AG

(100 %) gaming facility operator

ADMIRAL Sportwetten GmbH

(100 %) sports betting provider

Casinos Austria AG

(17.19 %) casino operator

Österreichische Lotterien Gesellschaft m.b.H.

(23.25 %) lottery operator

NOVOMATIC Lottery Solutions GmbH

(100 %) developer of gaming platforms,
electronic lottery solutions and
lottery terminals, sales

Greentube Internet Entertainment Solutions GmbH

(100 %) R&D, operation and sales of
online and mobile casino solutions as well as
server-based terminal solutions

 **GERMANY**

LÖWEN ENTERTAINMENT GmbH

(100 %) R&D, production, sales

ADMIRAL ENTERTAINMENT GmbH

(100 %) gaming facility operator

Casino Royal GmbH

(100 %) gaming facility operator

Spielbank Berlin GmbH & Co. KG

(60 %) casino operator

EASTERN EUROPE

 **LATVIA**

Alfor SIA

(60 %) gaming facility operator

 **ROMANIA**

Novo Investment RO SRL

(100 %) sales

Intertop Leisure SRL

(100 %) gaming facility operator

Novo VLTech Solutions SRL

(100 %) video lottery terminal operator

 **MACEDONIA**

HTL Makedonija DOOEL

(100 %) sales

MA Gaming DOOEL

(100 %) gaming facility operator

Makoten DOOEL

(100 %) casino operator

 **SERBIA**

Novo Investment d.o.o.

(100 %) sales

Admira d.o.o.

(100 %) gaming facility operator

 **POLAND**

NOVOMATIC Technologies Poland S.A.

(100 %) R&D

* NOVOMATIC Gaming Industries GmbH was merged with NOVOMATIC AG on 5.10.2018.



Prof. Johann F. Graf
 Founder and
 Majority Shareholder

🇬🇧 GREAT BRITAIN

Astra Games Ltd.

(100 %) R&D, production, sales

Bell-Fruit Group Ltd.

(100 %) R&D, production

Gamestec Leisure Ltd.

(100 %) sales

Luxury Leisure Ultd.

(100 %) gaming facility operator

Playnation Ltd.

(100 %) amusement machines operator

🇳🇱 NETHERLANDS

NOVOMATIC Netherlands B.V.

(100 %) R&D, production, sales

OTHER MARKETS

🇦🇺 AUSTRALIA

Ainsworth Game Technology Ltd.

(52.90 %) R&D, production, sales

🇺🇸 USA

NOVOMATIC Americas Sales LLC

(100 %) R&D, sales

🇪🇸 SPAIN

NOVOMATIC Gaming Spain S.A.

(100 %) R&D, production, sales

Admiral Operations Spain S.L.

(100 %) gaming facility operator

GiGames S.L.

(100 %) production, sales

🇮🇹 ITALY

NOVOMATIC Italia S.p.A.

(100 %) R&D, sales

Allstar S.r.l.

(100 %) gaming facility operator

Admiral Gaming Network S.r.l.

(100 %) concessionaire, networking technology

NOVOMATIC Group

The NOVOMATIC Group includes Novo Invest GmbH, the NOVOMATIC AG Group, as well as the Swiss sister holding company NOVO SWISS AG, which is owned by Prof. Johann F. Graf.

NOVOMATIC AG Group

The NOVOMATIC AG Group is a part of the NOVOMATIC Group and includes the main subsidiaries listed on this page. In addition to this, the NOVOMATIC AG Group is active via additional subsidiaries in Germany, Great Britain, Italy and Spain, as well as other CEE and SEE countries.

** Selection of main subsidiaries. The NOVOMATIC AG Group is a part of the NOVOMATIC Group and is represented by 226 consolidated subsidiaries around the world.

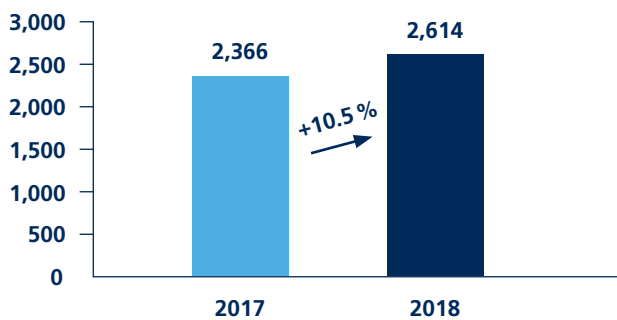
FINANCIAL YEAR 2018

OVERVIEW OF

KEY FIGURES

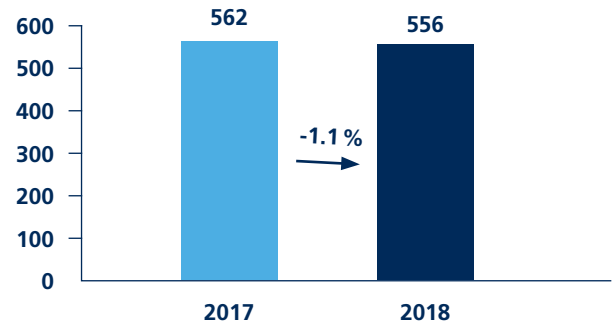
Revenues

(EUR m)



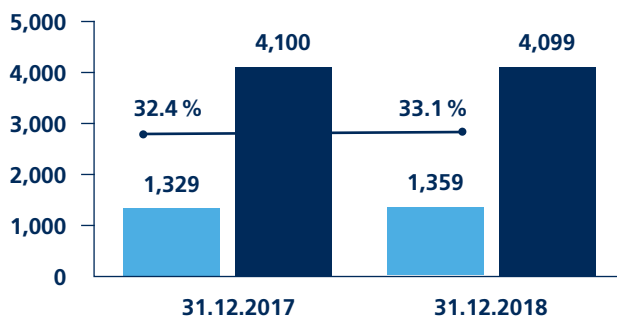
EBITDA

(EUR m)



Equity ratio

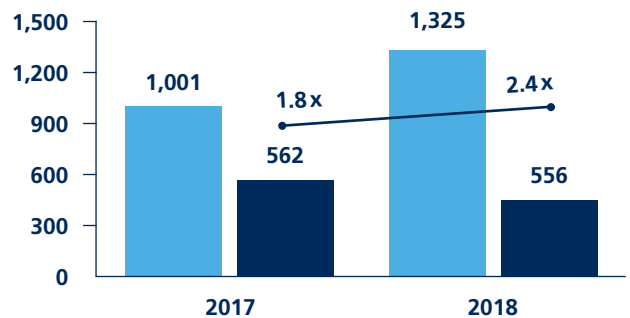
(in percent/EUR m)



Equity Balance Sheet total Equity ratio

Net Debt/EBITDA

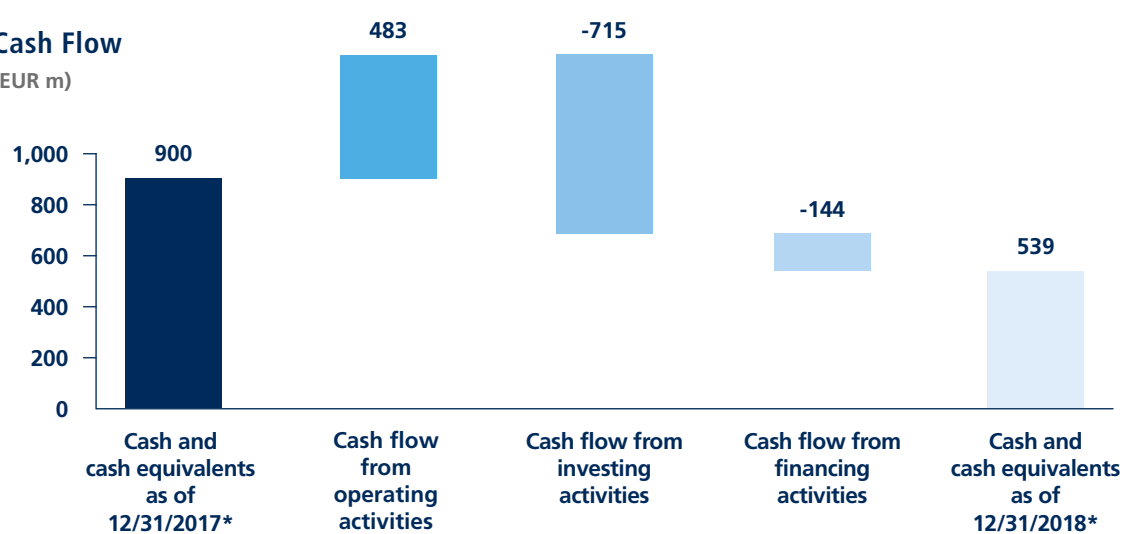
(in EUR m)



Net Debt EBITDA Net Debt/EBITDA LTM

Cash Flow

(EUR m)



*including currency adjustments and consolidation-related changes in cash and cash equivalents

EUR m	Modification			
	2018	2017	million	%
Revenues	2,613.6	2,366.1 ¹	247.5	+10.5 %
EBITDA	555.6	561.9 ¹	-6.3	-1.1 %
Operating profit (EBIT)	-131.9	220.5 ¹	-352.4	-159.8 %
Year result	-154.9	61.4 ¹	-216.3	-352.4 %
EBITDA margin (EBITDA/revenues)	21.3 %	23.7 %	-2.5 %	-10.5 %

EUR m	Modification			
	2018	2017	million	%
Balance sheet total	4,099.1	4,099.7	-0.6	0.0 %
Equity	1,358.6	1,328.9	29.7	+2.2 %
Equity ratio (equity/balance sheet total)	33,1 %	32,4 %		
Number of employees (average)	23,495	22,827		+2.9 %

¹ Adjustment of previous year's figures according to IAS 8 "Accounting Policies"

FINANCIAL YEAR 2018

OUR

HIGHLIGHTS

January 8



Majority stake in Ainsworth gets a green light

NOVOMATIC reached an important milestone for guaranteeing international growth rates in the USA when approval was received to take over a majority stake, 52.2 percent, of Ainsworth Game Technology Ltd. (AGT). The AGT shares purchase, at over EUR 300 million, is the largest investment made in Australia by an Austrian company to date. Ainsworth is a publicly traded Australian company with headquarters in Newington and Sydney, as well as locations in both North and South America.

February 9



Record appearance at ICE Totally Gaming

25 group companies presented the comprehensive NOVOMATIC Group product portfolio in an area encompassing around 4,700 m²

at the ICE (International Casino Exhibition) Totally Gaming in London. On offer at the NOVOMATIC exhibition stand were products ranging from high-tech casino equipment, systems and cash management solutions to arcade and pub products, as well as sports betting and online, mobile and social gaming.

February 13



Global Gaming Awards: "Casino Supplier of the Year"

NOVOMATIC was declared "Casino Supplier of the Year" for its services as an innovative, internationally reliable technology supplier. The prizes for 16 categories were selected by 50 members of an expert jury. The jury selected the winner from a total of 185 candidates. This award is one of the most notable in the gaming industry, as every vote is audited and assigned by KPMG, the world's largest auditing company.

April 30

ADMIRAL Player Protection Measures honored in London

The Global Regulatory Awards were awarded in April for the second time, in London. Dr. Monika Racek, CEO of NOVOMATIC subsidiary ADMIRAL Casinos & Entertainment AG, received the award for second place, coming in after the publicly traded Canadian company "The Stars Group", in the category of "Outstanding Individual Contribution to Responsible Gambling in a Customer Facing Role."

June 22



NOVOMATIC wins WKO Export Prize

The WKO (Austrian Economic Chamber) awarded NOVOMATIC gold in the category of tourism and leisure industries. As an internationally active gaming technology group, this prize represents important recognition for NOVOMATIC's international engagement and proves that the company, with an export rate of around 97 percent to more than 70 countries, plays a decisive role in Austria's economic success.

August 3

NOVOCompany Day: Focus on Health

Safety, sustainability and wellness were the focus of the first NOVOCompany Day at the NOVOMATIC headquarters in Gumpoldskirchen. Around 330 participants were able to complete a varied program presented at a total of 20 different stations. For example, employees could refresh their first aid skills, learn how to properly use a fire extinguisher or test out e-bikes. Not only that, a variety of lectures and presentations provided educational information on health and nutrition.

September 20



Study proves: NOVOMATIC is a driving force for Austria's economy

A study carried out by the Economica Institut für Wirtschaftsforschung proved that NOVOMATIC is a driving force for Austria's economy. NOVOMATIC generates a gross production value (the value of all goods and services in the production process) of EUR 1.3 billion. This means that every 94th euro in Lower Austria and every 238th euro in Vienna is earned by NOVOMATIC. In addition, every job at NOVOMATIC is connected to two additional jobs outside the Group.

November 23



Stakeholder Forum: Corporate Responsibility

NOVOMATIC and ADMIRAL invited more than 250 stakeholders to a podium discussion at the Novomatic Forum to examine the tension between corporate, personal and social responsibility in the industry. The 7th NOVOMATIC and ADMIRAL Stakeholder Forum was dedicated to corporate responsibility and environmental sustainability. With lectures and a podium discussion featuring highly qualified experts, the meeting fostered a constructive dialog between various stakeholders regarding previous and current developments in the area of corporate responsibility.

BUSINESS PERFORMANCE

General business development in the reporting period

For NOVOMATIC, 2018 was characterized by the implementation of the largest acquisition in the company's history and a complete replacement of all leased gaming equipment in the company's most important market, Germany, as a result of regulatory changes.

Despite challenges, revenues (before gaming taxes and betting fees) reached an all-time high of EUR 2,613.6 million, compared to EUR 2,336.1 million in 2017. This development resulted primarily from the acquisition of around 52 percent of the shares in Ainsworth Game Technology Ltd. at the beginning of the 2018 fiscal year. Machine revenues, the most important revenue category, increased solidly in almost all core markets. The number of self-operated locations (including casinos, sports betting outlets and bingo operations) has increased but remains at around 2,000¹. The number of gaming machines operated increased to almost 63,500.

In Germany, the most important market for NOVOMATIC, tougher industry-related framework conditions (State Treaty Amendment on Gaming, accompanying state laws on gaming arcades, amendment of the Gaming Ordinance) led to a continued decline in the number of locations and gaming devices throughout the market. Due to the resulting decline of around 17,400 leased gaming terminals by NOVOMATIC in Germany, the rental portfolio at Group level decreased by nearly 11,200 units compared to the same period of the previous year to approximately 158,000 devices by the end of 2018.

At the end of 2017, online B2B business relationships with customers operating in the German market were terminated as a result of a regulatory change. This led to a reduction in eBusiness revenues by EUR 29.8 million to EUR 161.0 million in 2018.

Italy was affected by numerous legislative changes in 2018. In the AWP market, the number of devices operated had to be reduced in the year under review. Annual increases in stake-dependent gaming fees also made business conditions more difficult. Furthermore, regulatory tightening made it more difficult to continue the expansion strategy.

Earnings before interest, taxes, depreciation and amortization (EBITDA) fell by EUR 6.3 million in 2018 to EUR 555.6 million. In addition to increased depreciation as a result of high investments in 2018, one-off effects in particular led to impairments of EUR 356.3 million (net of reversal of impairments) and thus to a significant reduction in operating income (EBIT). These impairments relate primarily to Ainsworth Game Technology Ltd. (EUR 264.3 million) due to lower-than-expected business development and the business in Germany (EUR 53.1 million) as a result of regulatory changes. The preliminary work for the legally required conversion of all gaming devices in Germany in November 2018 led to extraordinary costs.

¹ Exklusive discontinued operations

Important events

The acquisition of around 52.2 percent of the shares in Ainsworth Game Technology Ltd., signed in 2016, was, after receipt of the approval requirements of various international licensing and regulatory bodies, completed on January 5, 2018. Ainsworth Game Technology Ltd. is a publicly traded Australian company with further locations in North and South America. The company is a producer and provider of high-quality, innovative gaming solutions and a supplier for the global casino industry. The agreed purchase price was AUD 473.3 million. At the end of 2018, NOVOMATIC held a total of 52.9 percent of the shares in Ainsworth Game Technology Ltd. after reinvesting the dividend. In addition, various acquisitions of smaller companies in Germany, Spain, the Netherlands and Eastern Europe were made in the course of the 2018 fiscal year in order to round off the market shares, primarily in the area of gaming halls, bars and betting. With these acquisitions, the Group is enhancing its market position in some of Europe's core markets.

Since November 11, 2018, only gaming machines that comply with the new technical directive 5.0 (TR 5.0) may be used in Germany. Work began back in 2017 to convert equipment that complied with the expired technical directive 4.1 (TR 4.1) and manufacture new equipment that complies with the legal framework. The number of devices affected amounted to around 95,000².

In January 2018, the revolving credit line of EUR 1.0 billion concluded in March 2017 with an original term until March 2022 was extended by one year to March 2023 by exercising an option for prolongation. The usage of the credit line as at December 31, 2018, amounted to EUR 200.0 million.

In December 2018, a syndicated OeKB equity financing in the amount of EUR 250.0 million was also concluded. The funds were earmarked for the refinancing of the acquisition of Ainsworth Game Technology Ltd.

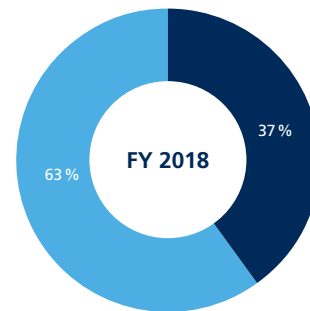
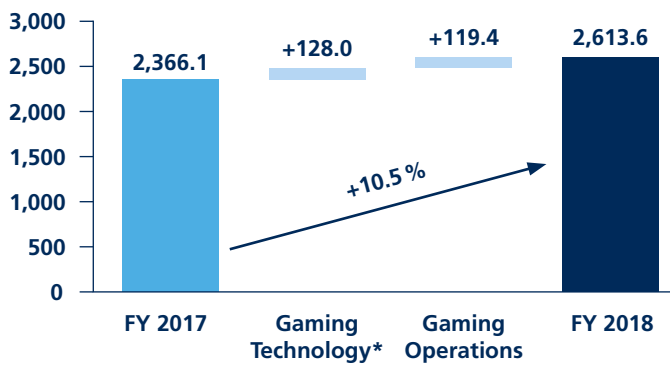
For fiscal years beginning on or after January 1, 2019, NOVOMATIC Group companies are required to apply the new provisions of IFRS 16 for the first time. For this reason, the effects of the application of IFRS 16 on existing financing agreements were analyzed back in 2018. This resulted in a need for adjustment, particularly in the area of financial covenants. As a result, all material financing agreements were adjusted.

² Rented devices to third parties as well as within the Group

SEGMENT ANALYSIS

Revenue split (functional)

(EUR m)

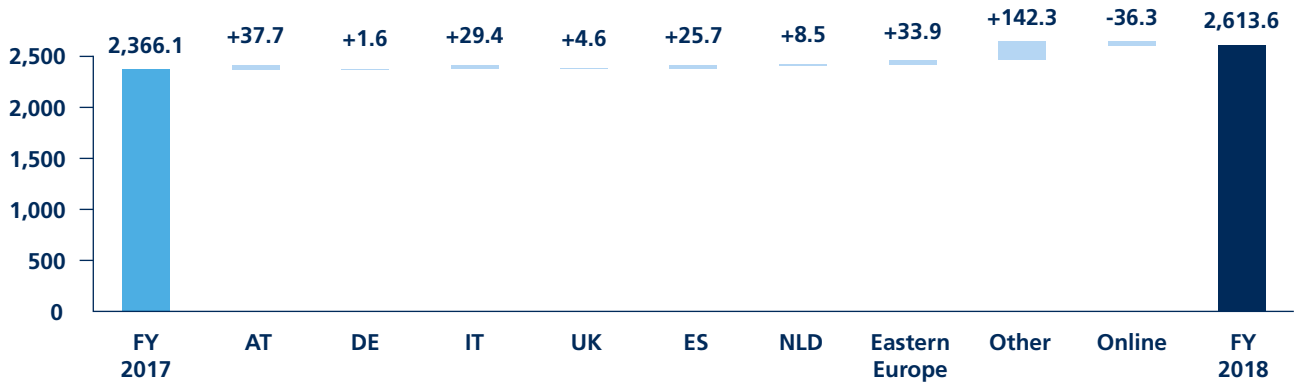


*Gaming Technology includes the segments "Gaming Technology" and "Other"

■ Gaming Operations ■ Gaming Technology*

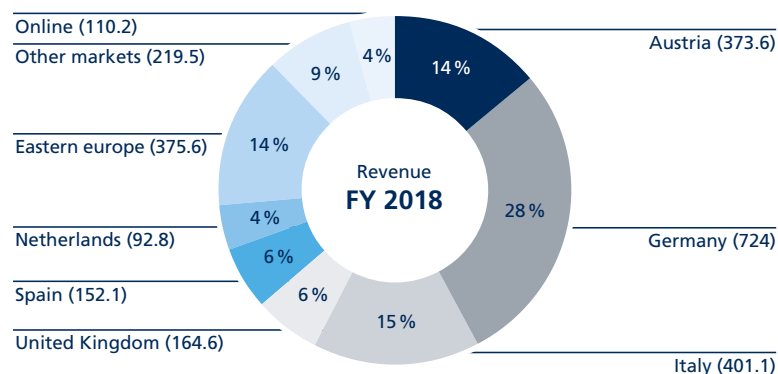
Revenue split (geographic)

(EUR m)



Revenue split (country)

(EUR m)



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, 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 968.1 million in the reporting period, representing an increase of EUR 127.9 million over the previous year's level. The increase over 2017 is primarily due to the acquisition of Ainsworth Game Technology Ltd. in 2018, which generated revenues of EUR 160.2 million.

The segment result (operating result) in the area of Gaming Technology declined from EUR 115.0 million to EUR -187.2 million. In addition to the withdrawal from the B2B business in Germany, this decline is mainly attributable to the increased depreciation and amortization due to high capital expenditures as well as to one-off effects of the impairment in the Group companies LÖWEN ENTERTAINMENT GmbH and Ainsworth Game Technology Ltd.

Germany

The focus of the German Group companies in the Gaming Technology segment is in the area of gaming machine rental. In Germany, the NOVOMATIC Group has long held a share of around 50 percent of the market for commercial gaming devices. In light of changes to the regulatory framework conditions, the number of rented gaming machines fell by more than 17,000 to around 85,000 in the reporting period, which is why revenues of EUR 282.5 million in 2018 represented a reduction of EUR 3.2 million compared to the previous year. As a whole, the decrease in the rent income was partly offset by higher sales revenues and higher other revenues. Since the device conversion did not take place until the end of the year (November 11), no material revenue decline was recorded.

The provisions of the State Treaty on Gaming have been applicable since July 1, 2017, following a transitional period of five years. As a result, there has been a noticeable reduction in the market for slot arcades. Slot arcades to be downscaled or closed will now inevitably have a negative impact on sales revenues from the rented gaming devices. The changes to the regulatory framework conditions also include the amendment to the German Gaming Ordinance. This stipulates that gaming devices corresponding to the old technical directive 4.1 may no longer be operated. As a result, from November 11, 2018, only devices that correspond to the new technical directive 5.0 may be operated. In addition to the significant replacement investments, extraordinary conversion costs were incurred in 2018.

Italy

Italy was affected by legal changes in the first half of 2018. In the AWP market, the number of devices operated had to be reduced by 35 percent compared to the end of 2016. In addition, regulatory requirements for gaming operations (distance regulations, etc.) were significantly tightened, slowing down the implementation of the expansion strategy. In the 2018 fiscal year, the stake-based gaming tax was increased as of September 1 and now amounts to 6.25 percent for VLT¹ devices and 19.25 percent for AWP devices. Further tax increases were decided on for the 2019 fiscal year.

¹ Video lottery terminal – networked gaming devices

Nevertheless, with more than 265,000 operated AWP devices and 55,000 VLT devices², Italy remains one of Europe's largest gaming markets. NOVOMATIC is one of the very few foreign companies that have been successful in establishing a presence in this highly competitive market.

Due to the aforementioned change in the legal framework conditions, the rental portfolio in the Italian gaming market has been reduced. Revenues of the Italian companies falling into the Gaming Technology segment reached a level of EUR 193.5 million in 2018, compared to EUR 202.0 million in the previous year. Despite an increase in concessionaire revenues (EUR +8.5 million), revenues declined due to falling revenues from rentals (EUR -11.8 million) and sales (EUR -4.6 million).

Group companies were merged in the 2018 fiscal year in order to take advantage of internal synergy and optimization effects.

United Kingdom

The UK market is one of the largest gaming markets in Europe and includes more than 180,000 gaming machines³, which are mostly located in pubs, sport betting outlets (licensed betting offices), gaming halls, casinos, and bingo centers. In the pub sector, a massive trend of pubs having to close has been observable over the past decades. This has resulted in a lower number of gaming machines traditionally operated in pubs. However, the remaining pubs are more profitable and show higher customer frequency. The pub sector is also undergoing technological change, with analog gaming devices increasingly being replaced by digital gaming devices.

The investment in Extreme Live Gaming Ltd. was sold in mid-2018 due to increasingly fierce competitive conditions and greater legal restrictions.

Revenues of the companies in the United Kingdom falling into the Gaming Technology segment reached a level of EUR 10.7 million in 2018, compared to EUR 10.8 million in the previous year.

Spain

The Spanish market is also one of the largest gaming markets in Europe and therefore represents an important market for the NOVOMATIC Group.

The NOVOMATIC Group recorded higher sales revenues in 2018, both in the slot arcade sector – where new, innovative devices such as the V.I.P. Lounge have become established – as well as in the pub sector. The number of rented devices also increased last year by more than 2,600 units to over 6,500.

Revenues of the companies in Spain falling into the Gaming Technology segment reached a level of EUR 70.7 million in the 2018 fiscal year, compared to EUR 60.4 million in 2017.

Netherlands

The Dutch market is reported as a separate core market for the first time this year and was previously included under other markets. In the Netherlands, around 17,000 gaming devices are operated in almost 280 slot arcades and over 17,000 gaming devices in more than 8,600 bars⁴. The NOVOMATIC Group has a market share of around 50 percent in the slot arcade sector and over 80 percent in the pub sector.

The revenues of those companies in the Netherlands falling into the Gaming Technology segment increased slightly and reached EUR 13.2 million in 2018.

Eastern Europe

A 15-year partnership with Loteria Romana provides NOVOMATIC the opportunity to deliver sophisticated video lottery terminals (VLTs), as well as the corresponding required video lottery system (including a jackpot system, service, spare parts, logistics, etc.) in Romania. By the end of 2018, NOVOMATIC had already put approximately 5,500 VLTs into operation.

In Moldova, NOVOMATIC successfully concluded an exclusive 15-year contract as technology partner with the state lottery, which holds the monopoly for gaming devices in Moldova, following a public and international invitation to tender. The roll-out began at the end of November 2018 with a focus on the capital Chisinau.

² According to the Gambling Compliance dated September 8, 2017

³ According to the UK Gambling Commission Industry statistics from April 2015 to March 2018

⁴ According to the 2017 Annual Report of the Netherlands Gaming Authority

Sales revenues of the companies of the Eastern Europe region falling under the Gaming Technology segment showed a positive development in the 2018 fiscal year and reached a value of EUR 78.3 million, compared to EUR 65.9 million in 2017. This increase is mainly attributable to the EUR 10.8 million increase in sales revenues due to the increase in demand for NOVOMATIC gaming devices, particularly in Romania (EUR +4.1 million) and Serbia (EUR +2.0 million).

Other markets

Revenues of the companies falling into the Gaming Technology segment in the other markets region reached a level of EUR 217.8 million in 2018, compared to EUR 60.3 million in the previous year. The reason for this sharp increase is mainly due to the acquisition of shares in Ainsworth Game Technology Ltd. The Australian producer contributes EUR 160.2 million in revenues for the first time to this region.

Online (B2B)

This segment comprises all companies of the NOVOMATIC Group allocated to the area of online and mobile gaming (B2B). This relates to 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.

In 2018, revenues from the B2B business of the NOVOMATIC Group reduced by EUR 55.8 million. This decline resulted mainly from the termination of the online B2B business relationship with the customers in the German market.

Gaming Operations

External revenues in the Gaming Operations segment amounted to EUR 1,644.9 million in the year under review, representing a slight increase in comparison to the previous year (EUR 1,525.5 million). This increase in revenues resulted from all regions, except for rest of the world.

The segment result (operating result) of Gaming Operations declined from EUR 93.9 million to EUR 72.8 million. In particular, impairments in Germany, Spain and Eastern Europe led to a deterioration of the operating margin.

Austria

Revenues of all Austrian gaming and betting companies of the NOVOMATIC Group reached a level of EUR 280.6 million in 2018 compared to EUR 257.7 million in the previous year. The increase is primarily attributable to higher gaming machine revenues due to improved performance of the machines, which recorded growth of EUR 15.5 million. Betting revenues in 2018 amounted to EUR 130.9 million and thus improved compared to the previous year (EUR 121.8 million).

In 2018, an amendment was made to the law on the conclusion and handling of bets. Since this time, bets may only be placed by registered customers, with live betting being completely prohibited.

Germany

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

After the implementation of the State Treaty Amending the Gaming Act began in 2017, the market for commercial electronic gaming was expected to decline, but at a slower pace than the legislature had anticipated due to strong legal resistance to the closure of slot arcades and concession reductions. Likewise, it was already evident in 2017 that the reduction of gaming terminals (through closed slot arcades or concession restrictions) leads to higher terminal utilization of the remaining gaming terminals and thus to a significant compensatory effect. The changes to the regulatory framework conditions also include the amendment to the German Gaming Ordinance. This stipulates that gaming devices corresponding to the old technical directive 4.1 may no longer be operated.

As a result, from November 11, 2018, only devices that correspond to the new technical directive 5.0 may be operated. The necessary conversion in the slot arcades of the German operating companies began in May 2018 and was completed by November 11, 2018, as required by law. The first months since the installation of the TR 5.0 devices have seen an expected reluctance on the part of the gaming guests with regard to the new devices. After a phase of acclimatization, however, the now-rising average checkouts per gaming machine show that the gaming guests are gradually getting used to the changes and positively accept the ongoing optimization of the gaming operations.

As in previous years, impairment tests were carried out in 2018 for the assets of the German operating companies in the area of commercial electronic gaming. An impairment loss of EUR 14.4 million (net of reversal of impairments) was incurred as a result of the regulatory changes.

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. In the third quarter, the remaining 25 percent of the shares in Spielbanken MV GmbH & Co. KG were acquired, which now makes it a wholly owned subsidiary of NOVOMATIC Spielbanken Holding Deutschland GmbH & Co KG. The revenue of NOVOMATIC's German casinos improved by EUR 4.6 million to EUR 84.9 million in 2018.

NOVOMATIC is present in the German sports betting market with ADMIRAL Sportwetten GmbH, which has been operating its own sport betting outlets in Germany since 2017. The sports betting revenues of the Group companies increased slightly to EUR 0.8 million. The sports betting market is currently in a state of flux, with the future framework conditions not yet being foreseeable.

The revenues of the Group companies in Germany allocated to the Gaming Operations segment increased again in 2018 to EUR 441.5 million (EUR +4.8 million).

Italy

During the 2018 fiscal year, several smaller operators of gaming facilities in Italy were acquired, primarily with the business purpose of operating slot arcades and bingo halls. With these acquisitions, the Group enhanced its market position in this important core European market.

On September 1, 2018, gaming taxes were increased to 6.25 percent for VLT devices and 19.25 percent for AWP devices, both in terms of stakes, which slowed the increase in revenues. A further increase in gaming tax was resolved for the 2019 fiscal year. By the end of May 2019, the gaming tax for VLT devices is expected to be 7.9 percent and for AWP devices 21.6 percent of the stake. It is expected that this tax increase will be compensated with a time delay by a reduction in the payout ratio.

Despite a lower number of devices in operation, gaming machine revenues rose to EUR 131.8 million (EUR +22.2 million) in 2018 due to higher capacity utilization. The revenues of the Italian Group companies falling into the Gaming Operations segment increased once again, despite the tax increases, thanks to both organic and acquisition-driven growth, and reached a level of EUR 207.6 million in 2018 compared to EUR 169.8 million in the previous year.

United Kingdom

In 2018, the British Group companies were able to increase revenues by EUR 4.7 million to EUR 153.8 million. In order to achieve the goal of a uniform brand presence, the slot arcades in the United Kingdom have been operated since 2018 under the name ADMIRAL, which is already in use in several markets. With over 235 venues, the subsidiaries of the NOVOMATIC Group are characterized by high profitability.

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.

With the acquisition in 2017 of Basque Gaming S.L., a company that operates a total of 15 slot arcades in the Basque Country, as well as several acquisitions of smaller arcade companies, this development continued. It was not possible to open some slot arcades in 2018 due to long approval procedures.

The revenues of all Spanish Group companies falling into the Gaming Operations segment increased once again thanks to organic and acquisition-driven growth, reaching a level of EUR 81.4 million compared to EUR 66.0 million in the previous year.

Netherlands

Van Gerwen Gaming B.V., a single site operator with 140 gaming devices, was acquired in the second quarter of 2018. At the end of the year under review, this company merged as planned into NOVOMATIC Exploitatie NL I B.V.

Revenues of the Dutch companies falling into the Gaming Operations segment increased by EUR 8.0 million to EUR 79.7 million in 2018. This increase is attributable to both the higher number of gaming devices operated and the higher average revenues per gaming device.

Eastern Europe

The companies falling into the Gaming Operations segment within the regions of Eastern Europe were able to achieve a positive business development again during the 2018 fiscal year.

In summary, the companies falling into this segment experienced an increase in revenues of EUR 21.5 million to EUR 297.3 million. The increase is largely the result of organic growth and an increase in the number of gaming devices operated, and was primarily achieved in the Polish, Latvian, Romanian and Serbian markets.

In Macedonia, a hotel with a casino is operated near the Greek border. Due to temporary difficulties when crossing the border between Greece and Macedonia, visitor numbers fell short of expectations. As it is difficult to assess further development of the business despite the political agreement between the two countries, an allowance was recorded.

In Albania, all slot arcades had to be closed at the end of 2018 due to a legal ban that came into force on January 1, 2019.

Other markets

In July 2017, the Peruvian slot arcades were sold for strategic reasons. As a result of this discontinuation, revenues in the other markets region fell by EUR 15.3 million to EUR 1.3 million in 2018. These revenues are generated by the African subsidiary of the NOVOMATIC Group.

Online (B2C)

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.) and using games there.

In 2018, the Greentube Group, which belongs to the NOVOMATIC Group, recorded a year-on-year increase in revenues by EUR 19.5 million to EUR 101.7 million in the Gaming Operations segment. This increase is attributable to operating expansion of the Greentube Group.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheet as of December 31, 2018

EUR m	Notes	12/31/2018	12/31/2017
ASSETS			
Non-current assets			
Intangible assets	(7.1, 7.3)	854.5	881.4
Property, plant and equipment	(7.2, 7.3)	1,148.8	1,041.7
Investment property	(7.4)	14.7	21.5
Investments in associated companies	(7.5)	2.9	1.4
Financial assets	(7.6)	326.0	271.2
Deferred tax assets	(7.7)	121.2	98.6
Other non-current assets	(7.8)	108.1	130.4
		2,576.3	2,446.1
Current assets			
Inventories	(7.9)	294.5	268.1
Trade receivables, other receivables and assets	(7.10)	437.7	408.7
Current tax receivables	(7.7)	52.5	31.4
Current financial assets	(7.11)	33.5	25.4
Cash and cash equivalents	(7.12)	538.5	899.7
Non-current assets and disposal groups held for sale	(8.15)	166.0	20.4
		1,522.7	1,653.6
Total ASSETS		4,099.1	4,099.7

EUR m	Notes	12/31/2018	12/31/2017
EQUITY AND LIABILITIES			
Share capital	(7.13)	26.6	26.6
Capital reserves	(7.14)	85.4	85.4
Retained earnings	(7.15)	1,042.2	1,169.0
Revaluation reserve	(7.16)	82.2	23.3
Currency translation adjustment	(7.17)	-89.9	-66.8
		1,146.4	1,237.5
Non-controlling interests	(7.18)	212.2	91.4
		1,358.6	1,328.9
Non-current liabilities			
Non-current financial liabilities	(7.19)	1,575.5	1,829.0
Non-current provisions	(7.20)	95.7	83.8
Deferred tax liabilities	(7.7)	140.6	131.9
Other non-current liabilities	(7.21)	17.6	53.5
		1,829.5	2,098.2
Current liabilities			
Current financial liabilities	(7.22)	288.3	72.0
Current provisions	(7.23)	65.9	82.8
Current tax liabilities	(7.7)	43.2	71.7
Trade payables and other liabilities	(7.24)	461.1	429.8
Liabilities directly related to non-current assets and disposal groups held for sale	(8.15)	52.4	16.2
		910.9	672.6
Total EQUITY AND LIABILITIES		4,099.1	4,099.7

Consolidated Profit and Loss Account for Financial Year 2018

EUR m	Notes	2018	2017
Revenues	(8.1)	2,613.6	2,366.1 ¹
Gaming taxes and betting fees	(8.2)	-297.1	-274.3 ¹
Revenues less gaming taxes and betting fees		2,316.5	2,091.9
Changes in inventories of finished goods and work in progress	(8.3)	19.6	5.6 ¹
Own work capitalized	(8.3)	279.8	218.6 ¹
Other operating income	(8.4)	76.2	130.6 ¹
Cost of material and other purchased services	(8.5)	-496.6	-330.9 ¹
Personnel costs	(8.6)	-776.6	-705.5 ¹
Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property	(8.7)	-687.6	-341.4 ¹
Other operating expenses	(8.8)	-863.2	-848.3 ¹
Operating result		-131.9	220.5
Share of profit/loss of associated companies		0.2	0.2
Interest income	(8.9)	10.6	9.5
Other financial income	(8.10)	13.1	31.4
Interest expenses	(8.11)	-36.8	-40.8
Other financial expenses	(8.12)	-22.6	-14.5
Currency exchange gains/losses from intra-group financing	(8.13)	7.9	-7.4
Financial result		-27.6	-21.6
Earnings before taxes		-159.5	198.9
Tax expenses	(8.14)	32.5	-101.6 ¹
Net result from continued operations		-127.0	97.3
Result from discontinued operations	(8.15)	-27.9	-35.9 ¹
Annual result		-154.9	61.4
thereof attributable to non-controlling interests		-44.1	3.1
thereof attributable to shareholders of the parent (net profit)		-110.9	58.3

¹ Adjustment of previous year's figures according to IAS 8

Consolidated Statement of Comprehensive Income for Financial Year 2018

EUR m	Notes	2018	2017
Annual result		-154.9	61.4
Amounts that will be reclassified to profit and loss account in subsequent periods			
Currency translation	(7.17, 7.18)	-28.7	-14.4
Currency translation for discontinued operations		-0.5	0.2
Hedging of payment flows		0.0	-12.5
Market value of financial assets available for sale	(7.16)	0.0	40.8
Apportionable income tax		0.0	-10.2
Amounts that will not be reclassified to profit and loss account in subsequent periods			
Revaluation of the net defined benefit liability	(7.15)	-1.1	0.5
Apportionable income tax		0.3	-0.1
Financial assets measured at fair value through other comprehensive income (equity instruments)		44.9	0.0
Apportionable income tax		-11.1	0.0
Other comprehensive income after taxes		3.8	4.1
Total comprehensive income		-151.1	65.6
thereof attributable to non-controlling interests		-50.2	3.3
thereof attributable to shareholders of the parent (net profit)		-100.9	62.3

Consolidated Cash Flow Statement for Financial Year 2018

EUR m	Notes	2018	2017
Operating result		-131.9	220.5¹
Result from discontinued operations		-27.9	-35.9¹
		-159.8	184.6
Loss (+)/Gain (-) from the disposal of fixed assets		-9.0	-13.0 ¹
Depreciation (+)/Appreciation (-) of fixed assets		735.4	391.9
Other non-cash income and expenses		1.0	-46.1
Interest received and interest-related income		11.8	18.2
Taxes paid		-112.4	-95.0 ¹
		467.0	440.6
Increase (-)/Decrease (+) in inventories		38.2	-47.8
Increase (-)/Decrease (+) in receivables		-15.7	-33.8
Increase (+)/Decrease (-) in provisions		-7.0	36.3
Increase (+)/Decrease (-) in liabilities		0.8	26.9
Cash flow from operating activities		483.3	422.3
Proceeds from the disposal of fixed assets (excluding financial assets)		89.0	77.1 ¹
Proceeds from the disposal/repayment of financial assets		3.7	25.0
Proceeds from the sale of consolidated companies, net of cash		34.5	36.8
Acquisition of intangible assets, property, plant and equipment		-535.8	-446.4
Acquisition of financial assets and other financial investments		-3.6	-28.2
Acquisition of consolidated companies, net of cash		-313.1	-199.8
Results from associated companies and investments		10.9	15.6
Cash flow from investing activities		-714.5	-519.8
Dividend payments		-32.2	-57.5
Proceeds from shareholders		1.0	0.0
Proceeds from non-controlling interests		0.0	0.0
Expenditures from change in interests in subsidiaries (without change of control)		-15.4	-18.8
Bonds repayment		0.0	-148.2
Proceeds from bank loans and financial liabilities		268.5	483.4
Payouts from bank loans and financial liabilities		-318.5	-97.2
Interest paid and interest-related expenses		-47.2	-52.0
Cash flow from financing activities		-143.7	109.7
Net change in cash and cash equivalents		-374.8	12.1
Currency translation adjustments		13.5	-0.5
Changes in cash and cash equivalents due to changes in scope of consolidation		0.1	10.0
Net change in cash and cash equivalents		-361.2	21.6
Cash and cash equivalents at the beginning of the period	(7.12, 9)	899.7	878.0
Cash and cash equivalents at the end of the period	(7.12, 9)	538.5	899.7
Net change in cash and cash equivalents		-361.2	21.6

¹ Adjustment of previous year's figures according to IAS 8



Spielbank Berlin | Germany 2019

CONTACT AND 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 newsletter 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 newsletter is also available in German. In the event of disputes, the German version shall take precedence.

Owner, editor and publisher

NOVOMATIC AG

Wiener Strasse 158, 2352 Gumpoldskirchen

Tel. +43 (0) 2252 606 0

E-Mail: ir@novomatic.com

www.novomatic.com/ir

Design

Kobza and the Hungry Eyes GmbH (KTHE)

Photos

Joachim Haslinger; Michael Königshofer; Krischanz & Zeiler OG; Sonja Kadlec, MA; Thomas Meyer Photography; Frank Helmrich; Leadersnet.at/G. Langegger; Honza Klein/Spielbank Berlin

NOVOMATIC AG

www.novomatic.com