



NOVOMATIC AG

Interim Financial Report
as of June 30, 2020

Overview of Key Figures

EUR m	01-06/2020	01-06/2019	Change	
			million	%
Revenues	805.4	1,259.4 ¹	-454.0	-36.1 %
EBITDA	131.2	299.7 ¹	-168.5	-56.2 %
EBIT	-98.6	51.0 ¹	-149.5	-293.3 %
Result for the period	-108.1	34.3	-142.4	-415.6 %
EBITDA margin (EBITDA/revenues)	16.3%	23.8%		
Free cash flow before acquisitions	52.2	146.0	-93.8	-64.3 %
Free cash flow after acquisitions	138.9	186.2	-47.3	-25.4 %
Number of employees (average)	20,993	22,505		-6.7 %

EUR m	06/30/2020	12/31/2019	Change	
			million	%
Balance sheet total	4,373.8	4,349.4	+24.4	+0.6 %
Equity	1,205.0	1,400.1	-195.1	-13.9 %
Equity ratio (equity/balance sheet total)	27.5 %	32.2 %		

¹⁾ The comparative information has been adjusted according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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Management Report

for the 2020 Interim Financial Statement, NOVOMATIC AG, Gumpoldskirchen

1) Purpose of the Business and Strategy

NOVOMATIC¹ 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 and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC furthermore operates around 1,940 own 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 licensed 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

The COVID-19 pandemic is creating unprecedented challenges for the global economy. The economists of the International Monetary Fund (IMF) are expecting international economic growth to amount to -4.9 percent in 2020 – a lower level than during the global economic crisis of 2008/2009.²

Economic growth in % ³	2021	2020	2019
Austria	5.6	-7.1	1.6
Germany	5.3	-6.3	0.6
Italy	6.1	-11.2	0.3
United Kingdom	6.3	-10.2	1.4
Spain	7.1	-10.9	2.0
The Netherlands	4.6	-6.8	1.7
Central and Eastern Europe	4.3	-5.8	2.1
United States	4.5	-8.0	2.3
Latin America	3.7	-9.4	0.1

The euro zone is predicted to grow by -10.2 percent in 2020. Together with the UK, it will therefore likely record the highest decline within the IMF's reference group. This is mainly due to the strict measures (lockdown, short-time work, hygiene regulations) which were taken to slow down and stop the further spread of the virus. In Germany, NOVOMATIC's strongest market in terms of revenues, industrial production and exports suffered a particularly severe hit, with a decline of -30.0 percent and -32.0 percent respectively between February and April. As a result of short-time working schemes, however, Germany was able to maintain its low unemployment rate. Italy, the Group's second-largest market in terms of revenues, responded to the pandemic with extremely strict lockdown measures, which also impacted industrial production. While production is slowly recovering since the partial reopening of the economy at the beginning

of May, the tourism sector is expected to pick up momentum only very gradually. At -5.8 percent, the overall economic declines in Central and Eastern European countries (including Hungary, Poland and Romania) were less severe than in the euro zone. The pandemic has had a similar impact on the United Kingdom as on the euro zone, resulting in a negative GDP development of -10.2 percent.

¹ 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.

² According to the IMF's World Economic Outlook Update June 2020.

³ The growth of the countries Austria, Germany, Italy, Spain and the Netherlands is taken from the European Commission's Summer 2020 Forecast, further data from the IMF's World Economic Outlook Update June 2020.

In addition to COVID-19, the U.S. economy has been plagued by social unrest and a continued strained trade relationship with China. As a result, the IMF's forecast published in June was further revised downwards. Economic output is now expected to decline by -8.0 percent in 2020.

In Latin America, some countries continue to fight against the further spread of the virus. As a result, economic growth figures have also been revised compared to the April forecast, with a decline of -9.4 percent now projected for 2020.

3) Business Performance

General business development in the reporting period

The current reporting period was strongly impacted by the consequences of the COVID-19 pandemic. In the majority of the NOVOMATIC Group's core markets, national governments introduced measures, in particular temporary lockdowns, from March 2020 onwards to stem the spread of COVID-19. Among other things, these measures included the temporary closure of gaming facilities (casinos, slot arcades and single sites/bars) operated by the NOVOMATIC Group. The closure also affected the Group's Gaming Technology business, resulting in lower sales of gaming machines as well as lower rental income due to the revenue sharing model applied in many markets.

Due to these underlying conditions, Group revenues (before gaming taxes and betting fees) fell from EUR 1,259.4 million in the previous year to EUR 805.4 million in 2020, marking a decrease of EUR 454.0 million (-36.1 percent). At EUR -108.1 million, the result for the period came in EUR 142.4 million below the previous year's level.

The total number of operated locations declined by approximately 30 against the previous year to around 1,940 sites. This was due to regulatory issues as well as economic decisions in individual markets. The number of operated and currently open locations (including casinos, sports betting outlets and bingo facilities) as of the reporting date declined to around 1,600 locations due to the temporary closure of gaming facilities that is still in effect in several countries and markets. Due to partial closures, the number of operated gaming devices came in at approximately 41,500.

The Group's rental portfolio shrank by around 5,100 units to approximately 149,000 machines compared with the same period in the previous year. The decline is mainly due to the 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 framework conditions meant that the number of rented gaming machines in Germany decreased by around 3,900 units.

However, some of the reported rented machines remained temporarily out of operation at the end of the reporting period due to various measures such as social distancing regulations. Since a revenue sharing model is applied in several markets in which the NOVOMATIC Group is active, the average rental income per unit in this reporting period does not present a representative picture of the underlying situation.

Italy was impacted by further legal changes in the first half of 2020. On January 1, 2020, the gaming tax was increased to 8.5 percent of the stake for VLT devices and to 23.9 percent for AWP devices.

In the United Kingdom, the maximum stake for fixed-odds betting terminals (FOBTs) in licensed betting offices (LBOs) was reduced from GBP 100.00 to GBP 2.00 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 and does not operate LBOs.

Due to the pandemic and the resulting reduced business activities, earnings before interest, taxes, depreciation and amortization (EBITDA) for the first half of 2020 amounted to EUR 131.2 million, reflecting a decrease of EUR 168.5 million (-56.2 percent) against the previous year's result. Operating profit (EBIT) decreased from EUR 51.0 million in the previous year by EUR 149.5 million (-293.3 percent) to EUR -98.6 million.

Important events

The drastic, necessary government measures, which from the beginning of March onwards had spread from Italy to the whole of Europe in a very short amount of time, also had a significant impact on NOVOMATIC's business. In May 2020, Standard & Poor's awarded NOVOMATIC AG a credit rating of BB+ with negative outlook. This credit rating was again confirmed in July 2020.

The utilization of the credit line of EUR 1.0 billion amounted to EUR 440.0 million as at June 30, 2020.

Besides this ongoing global pandemic, the Group continued on its consolidation course. Having sold the NOVOMATIC Lottery Solutions Group, the OTIUM Group as well as several smaller investments in various markets in the previous year, the sale of the shares in Casinos Austria AG was completed on June 26, 2020. In February 2020, 100 percent of the shares in HTL Montenegro d.o.o. and its subsidiary MNA Gaming d.o.o. were sold. Furthermore, a majority stake in an Austrian company and its subsidiary, which mainly performed manufacturing activities, was sold.

Consolidated Financial Statement for NOVOMATIC

Earnings Position

EUR m	01-06/2020	01-06/2019	Difference absolute	Difference in %
Revenues	805.4	1,259.4	-454.0	-36.1 %
Gaming taxes and betting fees	-98.8	-148.7	49.9	-33.6 %
Revenues less gaming taxes and betting fees	706.5	1,110.7	-404.1	-36.4 %
Changes in inventories of finished goods and work in progress	6.5	12.8	-6.3	-49.2 %
Own work capitalized	34.9	40.8	-5.9	-14.5 %
Other operating income	39.5	40.2	-0.6	-1.6 %
Cost of material and other purchased services	-85.4	-172.5	87.0	-50.5 %
Personnel expenses	-292.3	-383.4	91.0	-23.7 %
Other operating expenses	-278.5	-348.9	70.4	-20.2 %
EBITDA	131.2	299.7	-168.5	-56.2 %
EBITDA margin	16.3 %	23.8 %	-7.5 PP	-
Depreciation and amortization, impairment and reversal of impairment	-229.8	-248.7	18.9	-7.6 %
EBIT	-98.6	51.0	-149.5	-293.3 %
EBIT margin	-12.2 %	4.0 %	-16.3 PP	-
Financial result	-11.3	-17.5	6.2	-35.5 %
Earnings before taxes	-109.9	33.5	-143.3	-428.4 %
Tax expenses	-0.2	-15.0	14.7	-98.4 %
Net result for the period from continued operations	-110.1	18.5	-128.6	-695.4 %
Result from discontinued operations	2.0	15.8	-13.8	-87.4 %
Result for the period	-108.1	34.3	-142.4	-415.6 %

Key figures from earnings position	01-06/2020	01-06/2019
Earnings before interest and tax (in EUR m)	-86.6	58.2
Profit margin	-10.7 %	4.6 %
Interest coverage ratio	-422.9 %	205.8 %
Effective tax rate	0.2 %	-44.7 %

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. Interest coverage is the ratio between EBIT and interest expenses. The effective tax rate is the ratio of income tax to profit before taxes.

In the first half of 2020, NOVOMATIC Group's revenues amounted to EUR 805.4 million, compared to EUR 1,259.4 million in the same period of 2019. The decline in revenues by EUR 454.0 million (-36.1 percent) was attributable to almost all markets: Italy (EUR -102.8 million), Eastern Europe (EUR -71.3 million), Germany (EUR -71.2 million), Austria (EUR -61.3 million), Other Markets (EUR -54.3 million), United Kingdom (EUR -52.3 million), Spain (EUR -48.6 million) and Netherlands (EUR -23.6 million). Due to the far-reaching lockdown measures, which almost completely interrupted the operations of slot arcades, casinos and betting sites for about 2 months, the online segment was able to achieve a significant increase (EUR +31.4 million).

The largest decrease in revenues in absolute figures was recorded in the area of revenues from the operation of gaming machines, which declined by EUR 262.1 million (-43.9 percent). Germany (EUR -64.2 million), Eastern Europe (EUR -52.3 million) and the United Kingdom (EUR -43.1 million) accounted for the largest share of this decline.

In addition to revenues from the operation of gaming machines, the income from rent and management services also decreased significantly by EUR 79.7 million (-30.0 %) to EUR 186.1 million. A large part of this is attributable to Italy which recorded a drop by EUR 38.5 million. The regions Other Markets (EUR -12.8 million) and Eastern Europe (EUR -10.3 million) also suffered sharp declines.

Further pandemic-related year-on-year declines were recorded in the areas of betting revenues (EUR -19.5 million), other revenues (EUR -12.9 million), catering and hospitality revenues (EUR -12.7 million) and live gaming revenues (EUR -8.8 million). Only eBusiness revenues benefited from the current environment, resulting in an increase by EUR 33.3 million.

Sales revenues also decreased and at EUR 94.4 million came in about EUR 103.3 million (-52.3 percent) below the previous year's level. The regions Other Markets (EUR -56.6 million), Spain (EUR -17.1 million) and Austria (EUR -12.9 million) in particular recorded a significant decline in revenues in this area against the previous year.

The revenues of the individual regions are discussed in detail in the segment analysis.

Gaming taxes and betting fees, which depend largely on gaming machine and betting revenues, declined from EUR 148.7 million to EUR 98.8 million in the first half of the year. The decline of EUR 49.9 million (-33.6 percent) is mainly due to the low level of business activity resulting from the temporary closure of facilities in all of NOVOMATIC Group's markets.

The reduction of own work capitalized from EUR 40.8 million to EUR 34.9 million resulted from the generally limited sales activities of the NOVOMATIC Group due to the COVID-19 pandemic.

Cost of material and other purchased services decreased by EUR 87.0 million to EUR 85.4 million in the reporting period, mainly due to the declining order intake in connection with the COVID-19 pandemic.

Personnel costs in the NOVOMATIC Group came in at EUR 292.3 million in the first half of 2020, compared to EUR 383.4 million in the previous year. The decrease of EUR 91.0 million is mainly due to numerous support measures introduced by national governments to secure jobs. The largest decreases in personnel costs were recorded in Italy with EUR 19.4 million as well as in Germany and Austria with EUR 17.4 million each.

Other operating expenses decreased from EUR 348.9 million in the previous year by EUR 70.4 million (-20.2 percent) to EUR 278.5 million in the current reporting period. This reduction was, among other things, due to the limited business activity caused by the COVID-19 pandemic, which significantly lowered almost all expenses. The highest savings were achieved in the area of marketing, where expenses were reduced by EUR 19.7 million from EUR 63.5 million in the first half of 2019 to EUR 43.8 million in the first six months of 2020.

Earnings before interest, taxes, depreciation and amortization (EBITDA) came in at EUR 131.2 million for the first half of 2020, thereby remaining positive despite the COVID-19 pandemic and the resulting closure of almost all operational sites. In the first half of 2019, EBITDA had stood at EUR 299.7 million. The EBITDA margin in the first half of 2020 was 16.3 percent, 7.5 percentage points below the previous year's level. Due to the decline in revenues resulting from the COVID-19 pandemic, the operating result (EBIT) decreased by EUR 149.5 million, from EUR 51.0 million to EUR -98.6 million.

The financial result improved from EUR -17.5 million in the previous year to EUR -11.3 million in the first half of 2020 due to changed financing structure.

The earnings before taxes decreased to EUR -109.9 million during the reporting period. This corresponds to a decrease of EUR 143.3 million. After taking income tax amounting to EUR -0.2 million as well as the result from discontinued operations in the amount of EUR 2.0 million into consideration, the Group recorded a net loss of EUR -108.1 million for the first half of 2020, compared to a net profit of EUR 34.3 million in the previous year.

The result of the discontinued business operations is shown in the notes.

Important Key Figures

Leased gaming devices⁴

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other countries	Online
01-06/2020	148,963	1,489	76,733	39,744	-	6,090	42	15,533	9,332	-
01-06/2019	154,046	1,489	80,605	40,916	-	6,588	67	14,465	9,916	-

Operated gaming devices⁵

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other countries	Online
01-06/2020	61,645	2,244	12,356	6,356	17,994	3,648	4,213	14,471	363	-
01-06/2019	63,020	2,244	12,908	7,603	16,970	4,011	4,498	14,407	379	-

Sold gaming devices⁶

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other countries	Online
01-06/2020	6,986	874	0	34	104	2,375	148	975	2,476	-
01-06/2019	16,100	2,001	0	185	527	5,989	481	1,445	5,472	-

⁴ Number to third parties at the end of the period (partly not in operation)

⁵ Number at the end of the period (partly not in operation)

⁶ Number to third parties during the period

Segment Analysis

EUR m	01-06/2020	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other countries	Online
Revenues	805.4	112.7	266.9	79.0	46.0	37.3	23.9	101.7	44.8	93.1
Gaming Technology	313.5	18.4	130.8	29.4	4.0	16.2	2.6	25.2	44.3	42.6
Gaming Operations	490.6	94.3	135.6	49.6	41.8	21.1	21.3	76.5	0.0	50.5
Other	1.3	0.0	0.5	0.0	0.3	0.0	0.0	0.0	0.5	0.0

EUR m	01-06/2019	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other countries	Online
Revenues	1,259.4	174.0	338.1	181.8	98.3	85.9	47.5	173.0	99.1	61.7
Gaming Technology	483.4	32.8	138.0	90.2	13.2	41.6	5.4	40.1	98.1	23.9
Gaming Operations	775.0	141.2	200.1	91.6	85.1	44.2	42.1	132.9	0.0	37.8
Other	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0

EUR m	Change	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other countries	Online
Revenues	-454.0	-61.3	-71.2	-102.8	-52.3	-48.6	-23.6	-71.3	-54.3	31.4
Gaming Technology	-169.9	-14.4	-7.2	-60.8	-9.2	-25.4	-2.8	-14.9	-53.9	18.6
Gaming Operations	-284.4	-46.9	-64.6	-42.0	-43.4	-23.2	-20.8	-56.4	0.0	12.8
Other	0.3	0.0	0.5	0.0	0.3	0.0	0.0	0.0	-0.4	0.0

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 as well as sports betting, 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.

Due to the COVID-19 pandemic, numerous measures were implemented in all markets to counteract its further spread of the virus as effectively as possible. These measures include initiatives by national governments as well as proactive measures introduced by the NOVOMATIC Group. In order to contain the spread of COVID-19, the maximum number of visitors allowed in gaming facilities was reduced. In addition to the legal increase of the minimum distances between individual gaming machines, the installation of partition walls and the implementation of hygiene concepts, NOVOMATIC subsidiaries provide temperature measuring devices free of charge in their gaming facilities to protect the players. Further measures include the reduction of various taxes in different countries as well as subsidies for wages and salaries. These subsidies had a significant impact on the Group's consolidated result.

Gaming Technology

External revenues in the Gaming Technology segment amounted to EUR 313.5 million in the reporting period, representing a decrease of EUR 169.9 million (-35.1 percent) against the previous year's level. The decline compared to 2019 is mainly due to the pandemic, which resulted in lower demand and consequently lower sales revenues due to the closure of gaming sites.

Austria

At EUR 18.4 million, revenues of the Gaming Technology segment were EUR 14.4 million (-44.0 percent) below the revenues of the corresponding period in 2019 (EUR 32.8 million). The decrease is mainly due to lower sales revenues as a result of the COVID-19 pandemic.

Germany

The focus of the Germany-based Group companies in the Gaming Technology segment is in the area of gaming machine rental. In Germany, total revenues of the Gaming Technology segment decreased by EUR 7.2 million (-5.2 percent) from EUR 138.0 million in the first half of 2019 to EUR 130.8 million in the first six months of 2020.

The rental portfolio of gaming machines declined by around 1,900 units since the beginning of the year, resulting in a corresponding decline in rental revenues. In addition the reduced rental income resulting from a COVID-19 rent reduction model for contractual partners lead to lower rental revenues.

Italy

The Italian market was hit particularly hard by the COVID-19 pandemic in the first half of 2020, resulting in strict lockdown orders to curb the spread of the virus. On top of this, the stakes-based gaming tax was increased several times already in 2019, resulting in an additional reduction in revenues. Revenues of the Italian companies falling into the Gaming Technology segment amounted to EUR 29.4 million in the first half 2020 compared to EUR 90.2 million in the previous year, corresponding to a decrease by EUR 60.8 million (-67.4 percent).

United Kingdom

The British market is one of the largest gaming markets in Europe and includes approximately 185,000 gaming machines⁷, which are mostly located in pubs, licensed betting offices (LBOs), slot arcades, casinos, and bingo centers. The COVID-19 pandemic also restricted business activity in the UK. The facilities of all gaming service providers were closed on March 23, 2020 and a successive reopening did not occur until the beginning of July 2020. These closures also resulted in lower sales in the Gaming Technology segment. Revenues during the first half of the year came in at EUR 4.0 million, down EUR 9.2 million (-69.9 percent) on the comparative period's figure of EUR 13.2 million.

Spain

The Spanish market, like the British 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.

Since Spain was hit particularly hard by the COVID-19 pandemic in the first half of 2020, the government imposed widespread lockdown restrictions. Consequently, business development was in some cases significantly below the previous year's level. Revenues of companies allocated to the Gaming Technology segment in Spain amounted to EUR 16.2 million in the first half of 2020. Compared to the previous year, this marks a decline by EUR 25.4 million (-61.1 percent).

⁷ According to UK Gambling Commission industry statistics, accessed on 07/20/2020

The Netherlands

The temporary closure of the gaming facilities as of March 15, 2020 resulted in a lack of demand for gaming equipment in the first half of 2020. Due to lower sales revenues because of COVID-19, revenues of the Dutch companies falling into the Gaming Technology segment decreased by EUR 2.8 million (-51.8 percent), from EUR 5.4 million in 2019 to EUR 2.6 million in 2020.

Eastern Europe

The companies falling into the Gaming Technology segment within the region of Eastern Europe recorded revenues of EUR 25.2 million during the reporting period, which corresponds to a decline by EUR 14.9 million against the previous year's level of EUR 40.1 million. All markets included in this region posted lower sales than in the same period of 2019 due to the COVID-19 pandemic. The largest negative deviation in sales was recorded in the Romanian market, which suffered a decline in sales of EUR 9.3 million.

Other Markets

Revenues of the companies falling under the Gaming Technology segment in the Other Markets region reached a level of EUR 44.3 million in 2020, compared to EUR 98.1 million in the previous year – a decline by EUR 53.9 million (-54.9 percent). The largest deviation was registered in the Australian group Ainsworth Game Technology Ltd., where sales declined by EUR 47.9 million due to the pandemic. Overall, the Australian group generated revenues of EUR 24.5 million in the first half of 2020, compared with EUR 72.3 million in the previous year.

Online

This segment comprises the online and mobile gaming (B2B) companies of the Greentube Group, a leading international provider of online games and platforms.

The COVID-19 pandemic has had a positive effect on the online business. Negative effects included the temporary shutdown of the Plurius machines in Luxembourg from mid-March to June 10, 2020. Online business on the Latvian market was also suspended from the beginning of April until June 15, 2020.

The Greentube Group companies falling under the Gaming Technology segment generated revenues of EUR 42.6 million in the first half of 2020, representing an increase of EUR 18.6 million (+77.9 percent). This is in part due to the segment change of Greentube Malta Ltd., which was reported in the Gaming Operations segment at the end of the first half of 2019 and has been included under Gaming Technology since December 2019. In the first half of 2020, the company generated revenues of EUR 29.1 million compared with EUR 19.3 million in the previous year. Without taking this reclassification into account, revenue growth amounted to EUR 8.9 million (+192.0 percent), stemming mainly from the effects related to COVID-19 as well as the continued expansion of the B2B customer base. The following country markets were entered in the first half of 2020: Paraguay and Peru.

Gaming Operations

External revenues in the Gaming Operations segment amounted to EUR 490.6 million in the reporting period. This corresponds to a decline of EUR 284.4 million (-36.7 percent) compared to the previous year (EUR 775.0 million). This decline is mainly due to the COVID-19 pandemic, as a result of which numerous sites were closed for several months. In March 2020, around 75.0 percent of the gaming facilities in the European countries in which the Group operates were temporarily closed. As of June 30, 2020, approximately 83 percent of the gaming facilities had reopened and continued operations.

Austria

The facilities in Austria were temporarily closed on March 17, 2020. However, due to the positive development of the COVID-19 pandemic in Austria, 188 facilities were already reopened on May 29, 2020 with the remaining 16 facilities following suit on June 15, 2020. Despite the site closures, the possibility to place bets online remained. Revenues of all Austrian gaming and betting companies of the NOVOMATIC Group amounted to EUR 94.3 million during the reporting period, down EUR 46.9 million (-33.2 percent) from the previous year's level (EUR 141.2 million). Thanks to positive business development in the months prior to COVID-19, as well as due to efficient measures to contain the spread of the virus and the associated early reopening of the venues, a greater decline in sales was avoided.

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.

Up until the COVID-19-related closure of the gaming facilities beginning on March 14, 2020 the first half of the year had been developing positively. These mandatory closures resulted in a massive collapse in revenues in the Gaming Operations segment. Due to a relaxation of the restrictions, a gradual re-opening took place from the beginning of May to the beginning of June. As of June 30, 2020 all of the Group's arcades in Germany were open again.

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. Due to the impact of COVID-19, the revenue of NOVOMATIC's German casinos slumped by EUR 16.5 million (-33.9 percent) to EUR 32.3 million in the first half of 2020.

Revenues of the Group companies in Germany falling under the Gaming Operations segment decreased by EUR 64.6 million (-32.3 percent) compared with 2019 and amounted to EUR 135.6 million.

Italy

In the first half of 2020, the Italian market was once again affected by regulatory changes. On January 1, 2020, the PREU, a tax on certain gaming devices, was increased and now stands at 8.5 percent for VLTs (previous year: 7.9 percent) and 23.9 percent for AWP's (previous year: 21.6 percent). This tax increase is expected to be offset by a reduction in the payout ratio. The consolidation strategy for Italy was consistently continued in the first half of 2020.

From March 2020 onwards, the Italian subsidiaries of the Gaming Operations segment were severely impacted by the COVID-19 pandemic. Revenues of all Italian companies operating in this segment amounted to EUR 49.6 million, which was about EUR 42.0 million (-45.9 percent) below the figure recorded for the corresponding period of the previous year.

United Kingdom

Due to the COVID-19 pandemic, slot arcade operators in the UK were forced to close their facilities between March 23 and July 4, 2020. The lack of business activity had a palpable impact on the revenue development in the first half of the year, despite high revenues in the months prior to the closure. First-half revenues of the British operating companies came in at EUR 41.8 million, down EUR 43.4 million (-50.9 percent) on the previous year's figure of EUR 85.1 million.

Spain

Depending on the respective region, all gaming facilities were temporarily closed starting between March 14 and 16, 2020 onwards due to the COVID-19 pandemic. The reopening took place between June 8 and 22, 2020 based on a 3-step plan (staggered by region). As of June 30, 2020, 162 of the total 164 gaming venues had opened their doors again. At EUR 21.1 million, revenues were EUR 23.2 million (-52.4 percent) lower than in the first half of 2019.

The Netherlands

On March 15, 2020 all locations in the Netherlands were temporarily closed. While the single sites were allowed to reopen on June 1, 2020 all arcades and casinos remained closed as of June 30, 2020. Consequently, revenues for the first half of the year decreased from EUR 42.1 million in 2019 by EUR 20.8 million (-49.4 percent) to EUR 21.3 million in the reporting period.

Eastern Europe

Overall, companies falling under this segment generated revenues of EUR 76.5 million in the first half of 2020, representing a decline of EUR 56.4 million (-42.4 percent) against the first half of 2019. The highest declines were registered in the markets of Latvia (EUR -30.2 million), Northern Macedonia (EUR -10.3 million) and Romania (EUR -5.2 million) and were primarily due to the COVID-19 pandemic and the resulting temporary closures.

By June 30, 2020 the majority of the NOVOMATIC Group's operating subsidiaries in Eastern Europe had already reopened their facilities. In some markets, such as Serbia, gaming operations had already resumed at the beginning of May 2020. Many of the markets reopened as of June 30, 2020 have already seen an increase in GGR (Gross Gaming Revenue) in June 2020, reflecting a positive development.

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). Since December 2019, Greentube Malta Ltd., which was still included in the Gaming Operations segment at the end of the first half of 2019, has been part of Gaming Technology. In the first half of 2020, the company generated revenues of EUR 29.1 million (+50.6 percent) compared with EUR 19.3 million in the previous year.

In the first half of 2020, the Greentube Group, which belongs to the NOVOMATIC Group, recorded an increase in revenues in the Gaming Operations segment of EUR 12.8 million (+33.8 percent) to EUR 50.5 million (excluding the revenues of Greentube Malta Ltd) Among other things, this increase was due to the excellent development in the two segments Social Casinos and Real-Money Casinos. Due to the COVID-19 pandemic and the governmental countermeasures, revenues increased from mid-March to June. In addition, continuous product improvements and innovations have contributed to this growth in revenues.

Net Assets

EUR m	06/30/2020	12/31/2019	Difference absolute	Difference in %
ASSETS				
Non-current assets				
Intangible assets	806.5	804.8	1.7	0.2 %
Right-of-use assets	602.2	664.1	-61.9	-9.3 %
Property, plant, and equipment	986.1	1,058.4	-72.3	-6.8 %
Financial assets	174.4	289.1	-114.7	-39.7 %
Other non-current assets	244.8	258.1	-13.3	-5.2 %
	2,814.0	3,074.6	-260.6	-8.5 %
Current assets				
Inventories	292.0	263.9	28.1	10.6 %
Trade receivables, other receivables and assets	399.2	424.8	-25.6	-6.0 %
Cash and cash equivalents	816.4	531.1	285.3	53.7 %
Other current assets	48.6	51.4	-2.8	-5.4 %
Non-current assets and disposal groups held for sale	3.6	3.6	0.0	0.0 %
	1,559.8	1,274.8	285.0	22.4 %
Total ASSETS	4,373.8	4,349.4	24.4	0.6 %
EQUITY AND LIABILITIES				
Equity				
Share capital	26.6	26.6	0.0	0.0 %
Capital reserves	85.4	85.4	0.0	0.0 %
Retained earnings	977.3	1,103.5	-126.2	-11.4 %
Revaluation reserve	24.7	43.3	-18.6	-42.9 %
Currency translation adjustment	-99.2	-70.0	-29.2	41.7 %
Non-controlling interests	190.2	211.3	-21.1	-10.0 %
	1,205.0	1,400.1	-195.1	-13.9 %
Non-current liabilities				
Non-current financial liabilities	1,252.0	1,222.1	29.9	2.4 %
Non-current lease liabilities	513.2	567.9	-54.7	9.6 %
Non-current provisions	75.5	77.6	-2.1	-2.7 %
Other non-current liabilities	117.0	127.8	-10.8	-8.5 %
	1,957.7	1,995.4	-37.8	-1.9 %
Current liabilities				
Current financial liabilities	565.8	316.4	249.5	78.9 %
Current lease liabilities	120.5	121.1	-0.6	-0.5 %
Trade payables and other liabilities	454.5	439.2	15.3	3.5 %
Other current liabilities	70.4	77.2	-6.8	-8.8 %
	1,211.2	953.9	257.3	27.0 %
Total EQUITY AND LIABILITIES	4,373.8	4,349.4	24.4	0.6 %

Key figures on assets and financial position	06/30/2020	12/31/2019
Net debt (in EUR m) ¹	1,566.1	1,626.9
Gross debt (in EUR m) ¹	2,451.5	2,227.5
Working capital (in EUR m)	348.6	321.0
Equity ratio	27.5 %	32.2 %
Net gearing ratio	3.0	2.4
ROCE	0.6 %	4.9 %

¹⁾ Thereof non-current lease liabilities according to IFRS 16 of EUR 513.2 million (previous year: EUR 567.9 million) and current lease liabilities according to IFRS 16 of EUR 120.5 million (previous year: EUR 121.1 million).

Net debt is calculated as the sum of current and non-current financial liabilities, as well as lease liabilities, less cash and cash equivalents, precious metals and securities. 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) during the last twelve months. ROCE is the portion of EBIT during the last twelve months in relation to the sum of equity and long-term liabilities.

The balance sheet total rose by EUR 24.4 million compared to the figure on December 31, 2019, amounting to EUR 4,373.8 million as of June 30, 2020 (+0.6 percent).

Non-current assets decreased from EUR 3,074.6 million in the previous year by EUR 260.6 million (-8.5 percent) to EUR 2,814.0 million. Property, plant and equipment decreased by -6.8 percent compared to 2019, totaling EUR 986.1 million in 2020. The decline is due in particular to the lower equipment inventory in the German market as a result of the State Treaty Amending the Gaming Act. Financial assets amounted to EUR 174.4 million as of June 30, 2020, which is about EUR 114.7 million (-39.7 percent) below the figure recorded as of December 31, 2019. This item decreased in the reporting period mainly due to the sale of the shares in Casinos Austria AG.

As regards current assets, cash and cash equivalents increased by EUR 285.3 million (+53.7 percent) from EUR 531.1 million to EUR 816.4 million. The increase is partly due to the sale of the shares in Casinos Austria AG as well as another drawing of the credit line. The Group's inventories amounted to EUR 292.0 million (+10.6 percent) as of June 30, 2020. The increase in inventories was recorded in almost all of NOVOMATIC AG's markets and resulted from the postponement of sales orders due to the COVID-19 pandemic. Despite the pandemic, the receivables were reduced by EUR 25.6 million (-6.0 percent) and stand at EUR 424.8 million compared to EUR 399.2 million in the previous year. Overall, current assets increased by EUR 1,274.8 million to EUR 1,559.8 million.

Equity declined by EUR 195.1 million (-13.9 percent) to EUR 1,205.0 million during the reporting period. This decrease was mainly due to retained earnings, which decreased by EUR 126.2 million (-11.4 percent) from EUR 1,103.5 million as of 2019 to EUR 977.3 million. Currency translation adjustments also decreased by EUR 29.2 million (-41.7 percent) to EUR -99.2 million.

The decrease in non-current liabilities by EUR 37.8 million (-1.9 percent), from EUR 1,995.4 million to EUR 1,957.7 million, is mainly due to a shift from non-current financial liabilities to current financial liabilities because of the upcoming repayment of a bond. The bulk of this decrease is compensated for by the utilization of the credit line, which amounted to EUR 440.0 million as of June 30, 2020.

Current liabilities increased by EUR 257.3 million (+27.0 percent) to EUR 1,211.2 million during the current period. The increase is mainly due to a shift from non-current financial liabilities to current financial liabilities. As of June 30, 2020, current financial liabilities amounted to EUR 565.8 million (+78.9 percent). Trade payables and other liabilities increased by EUR 15.3 million to EUR 454.5 million.

Financial Position

EUR m	01-06/2020	01-06/2019	Change in absolute	Change in %
EBIT	-98.6	51.0	-149.5	-293.3%
Cash flow from operating activities	119.3	242.6	-123.3	-50.8%
Cash flow from investing activities	19.7	-56.3	76.0	134.9%
Free cash flow	138.9	186.2	-47.3	-25.4%
Cash flow from financing activities	142.0	-158.6	300.6	189.6%
Changes to cash and cash equivalents	285.3	33.3	252.0	757.9%

Across the Group, cash flow from operating activities totaled EUR 119.3 million in the first half of 2020, compared to EUR 242.6 million the first six months of previous year. The decline by EUR 123.3 million is mainly due to the lower operating result, which because of the COVID-19 pandemic decreased by EUR 149.5 million to EUR -98.6 million. However, the reduction in receivables and other assets in the amount of EUR 37.4 million compared to the previous year, resulted in an opposite effect totaling EUR 90.8 million. This positive development was partially offset by an increase in inventories in the amount of EUR 35.8 million.

Cash flow from investing activities amounted to EUR 19.7 million in the reporting period, compared with EUR -56.3 million in the first half of 2019. This development is largely due to the sale of the shares in Casinos Austria AG. In addition, investments in intangible assets and property, plant and equipment decreased by EUR 65.3 million to EUR 93.2 million in the reporting period. However, the lower proceeds from the sale of consolidated companies (net of cash) in the first half of 2019 resulted in a compensating effect. At EUR 1.9 million, these were about EUR 38.4 million lower than in the same period of the previous year. Furthermore, proceeds from the disposal of fixed assets (excluding financial assets) in the amount of EUR 26.1 million came in below the previous year's figure of EUR 62.0 million.

Compared with the previous year's period, the cash flow from financing activities increased from EUR -158.6 million by EUR 300.6 million to EUR 142.0 million. This development resulted mainly from the repayment of a bond in the amount of EUR 246.0 million in the first half of 2019, as well as from the further utilization of credit lines.

4) Prospective Development of the Group

Given the advanced stage of reopenings in almost all of the markets in which the NOVOMATIC Group operates, the Group is expecting a positive development. By the end of June 2020, more than 80 percent of all NOVOMATIC Group locations had already reopened and, depending on the market, recorded high visitor numbers. The majority of the facilities that were still temporarily closed as of the reporting date have gone on to resume operations in July; the remaining facilities are expected to reopen during the third quarter of 2020. The information on the reopening of locations that remain temporarily closed is based on the assumption of a positive development of the coronavirus in the second half of 2020.

5) Non-Financial Performance Indicators

Regarding the reporting of the consolidated non-financial statement, reference is made to the separate, consolidated non-financial report 2019 of NOVOMATIC AG according to the Sustainability and Diversity Improvement Act (NaDiVeG).

6) Significant Risks and Uncertainties

NOVOMATIC's annual financial report for the 2019 fiscal year details the most important risks and uncertainties that could have a significant negative impact on the NOVOMATIC Group's asset, financial and earnings position.

In the wake of the coronavirus crisis, the Group faces a number of challenges and restrictions in 2020, due to various restrictions being imposed in many countries. It is not yet possible to conclusively assess the extent of the impact of the COVID-19 pandemic on the Group's consolidated financial statement of 2020.

The annual report for the 2019 fiscal year furthermore includes a detailed description of the structure of the risk management system, as well as the main characteristics of the internal controlling system regarding the accounting process.

Consolidated Interim Financial Statements

Consolidated Balance Sheet

EUR m	06/30/2020	12/31/2019
ASSETS		
Non-current assets		
Intangible assets	806.5	804.8
Right-of-use assets	602.2	664.1
Property, plant, and equipment	986.1	1,058.4
Investment property	27.5	28.5
Investments in associated companies	2.0	2.1
Financial assets	174.4	289.1
Deferred tax assets	123.4	118.5
Other non-current assets	91.9	109.1
	2,814.0	3,074.6
Current assets		
Inventories	292.0	263.9
Trade receivables, other receivables and assets	399.2	424.8
Current tax receivables	24.2	23.0
Current financial assets	24.4	28.4
Cash and cash equivalents	816.4	531.1
Non-current assets and disposal groups held for sale	3.6	3.6
	1,559.8	1,274.8
Total ASSETS	4,373.8	4,349.4
EQUITY AND LIABILITIES		
Equity		
Share capital	26.6	26.6
Capital reserves	85.4	85.4
Retained earnings	977.3	1,103.5
Revaluation reserve	24.7	43.3
Currency translation adjustment	-99.2	-70.0
	1,014.8	1,188.8
Non-controlling interests	190.2	211.3
	1,205.0	1,400.1
Non-current liabilities		
Non-current financial liabilities	1,252.0	1,222.1
Non-current lease liabilities	513.2	567.9
Non-current provisions	75.5	77.6
Deferred tax liabilities	110.8	121.4
Other non-current liabilities	6.2	6.3
	1,957.7	1,995.4
Current liabilities		
Current financial liabilities	565.8	316.4
Current lease liabilities	120.5	121.1
Current provisions	48.1	55.8
Current tax liabilities	22.3	21.4
Trade payables and other liabilities	454.5	439.2
	1,211.2	953.9
Total EQUITY AND LIABILITIES	4,373.8	4,349.4

Consolidated Income Statement

EUR m	01-06/2020	01-06/2019
Revenues	805.4	1,259.4 ¹
Gaming taxes and betting fees	-98.8	-148.7
Revenues less gaming taxes and betting fees	706.5	1,110.7
Changes in inventories of finished goods and work in progress	6.5	12.8 ¹
Own work capitalized	34.9	40.8
Other operating income	39.5	40.2 ¹
Cost of material and other purchased services	-85.4	-172.5 ¹
Personnel expenses	-292.3	-383.4 ¹
Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property	-165.1	-186.2 ¹
Amortization, depreciation, impairment and reversal of impairment for right-of-use assets	-64.7	-62.6 ¹
Other operating expenses	-278.5	-348.9 ¹
Operating profit	-98.6	51.0
Share of profit/loss of associated companies	0.0	-1.2
Interest income	3.5	4.4
Other financial income	10.6	8.2
Interest expenses	-12.3	-15.0
Interest expenses for leases	-11.0	-9.8
Other financial expenses	-4.7	-4.8 ¹
Currency exchange gains/losses from intra-group financing	2.5	0.7
Financial result	-11.3	-17.5
Earnings before taxes	-109.9	33.5
Tax expenses	-0.2	-15.0 ¹
Net result for the period from continued operations	-110.1	18.5
Result from discontinued operations	2.0	15.8 ¹
Result for the period	-108.1	34.3
thereof attributable to non-controlling interests	-13.3	6.7
thereof attributable to shareholders of the parent (net profit)	-94.8	27.5

¹ The comparative information has been adjusted according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Consolidated Statement of Comprehensive Income

EUR m	01-06/2020	01-06/2019
Result for the period	-108.1	34.3
Amounts that will be reclassified to profit and loss account in subsequent periods		
Currency translation	-30.9	4.2
Currency translation for discontinued operations	0.0	0.6
Amounts that will not be reclassified to profit and loss account in subsequent periods		
Financial assets measured at fair value through other comprehensive income (equity instruments)	-5.8	0.2
Apportionable income tax	6.4	0.0
Other comprehensive income after taxes	-30.4	5.0
Total comprehensive income	-138.5	39.3
thereof attributable to non-controlling interests	-15.0	7.3
thereof attributable to shareholders of the parent (net profit)	-123.5	32.0

Consolidated Cash Flow Statement

EUR m	01-06/2020	01-06/2019
Operating profit	-98.6	51.0¹
Result from discontinued operations	2.0	15.8¹
	-96.6	66.8
Loss (+) / Gain (-) from the disposal of fixed assets	-5.1	-5.9
Depreciation (+) / Appreciation (-) of fixed assets	229.8	249.5
Loss (+) / Gain (-) from the disposal of companies and other non-cash income and expenses	-2.2	4.9 ¹
	125.9	315.2
Increase (-) / Decrease (+) in inventories	-35.8	-10.0
Increase (-) / Decrease (+) in receivables and other assets	37.4	-53.4
Increase (+) / Decrease (-) in provisions	-9.0	-4.6
Increase (+) / Decrease (-) in liabilities and other liabilities	7.8	-2.5
Interest received and interest-related income	5.4	4.9
Taxes paid	-12.5	-7.2
Cash flow from operating activities	119.3	242.6
Proceeds from the disposal of fixed assets (excluding financial assets)	26.1	62.0
Proceeds from the disposal/repayment of financial assets	109.6	3.1
Proceeds from the sale of consolidated companies, net of cash	1.9	40.4
Acquisition of intangible assets, property, plant and equipment	-93.2	-158.5
Acquisition of financial assets and other financial investments	-0.4	-0.6
Acquisition of consolidated companies, net of cash	-32.9	-8.4
Results from associated companies and investments	8.4	5.9
Cash flow from investing activities	19.7	-56.3
Dividend payments	-55.0	-29.3
Proceeds from shareholders (non-controlling interests)	0.0	0.3
Expenditures from change in interests in subsidiaries (without change of control)	-1.7	0.0
Expenditures from the repayment of bonds	0.0	-246.0
Proceeds from bank loans and financial liabilities	310.1	228.3
Payouts from bank loans and financial liabilities	-31.6	-18.1
Payouts from leasing obligations	-57.1	-59.3
Interest paid and interest-related payments	-22.7	-34.5
Cash flow from financing activities	142.0	-158.6
Total cash flow	280.9	27.7
Currency translation adjustments	3.8	0.4
Changes in cash and cash equivalents due to changes in scope of consolidation	0.6	5.2
Net change in cash and cash equivalents	285.3	33.3
Cash and cash equivalents at the beginning of the period	531.1	538.5
Cash and cash equivalents at the end of the period	816.4	571.7
Net change in cash and cash equivalents	285.3	33.3

¹⁾ The comparative information has been adjusted according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Consolidated Statement of Changes in Equity

EUR m	Shares of shareholders of NOVOMATIC AG					Total	Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation Reserve	Currency translation adjustment			
As of 01/01/2020	26.6	85.4	1,103.5	43.3	-70.0	1,188.8	211.3	1,400.1
1) Total comprehensive income								
Result for the period	0.0	0.0	-94.8	0.0	0.0	-94.8	-13.3	-108.1
Other comprehensive income	0.0	0.0	19.1	-18.6	-29.2	-28.7	-1.7	-30.4
2) Dividend payments	0.0	0.0	-50.0	0.0	0.0	-50.0	-5.0	-55.0
3) Change in non-controlling interests	0.0	0.0	-1.1	0.0	0.0	-1.1	-0.3	-1.4
4) Change in the scope of consolidation	0.0	0.0	-1.1	0.0	0.0	-1.1	-0.7	-1.8
5) Obligation from written put options for non-controlling interests	0.0	0.0	1.7	0.0	0.0	1.7	0.0	1.7
As of 06/30/2020	26.6	85.4	977.3	24.7	-99.2	1,014.8	190.2	1,205.0

EUR m	Shares of shareholders of NOVOMATIC AG					Total	Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	Revaluation Reserve	Currency translation adjustment			
As of 01/01/2019	26.6	85.4	1,042.2	82.2	-89.9	1,146.4	212.2	1,358.6
1) Total comprehensive income								
Result for the period	0.0	0.0	27.5	0.0	0.0	27.5	6.7	34.3
Other comprehensive income	0.0	0.0	5.1	0.2	-0.8	4.4	0.6	5.0
2) Dividend payments	0.0	0.0	-22.0	0.0	0.0	-22.0	-7.3	-29.3
3) Change in non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3
4) Change in the scope of consolidation	0.0	0.0	-1.8	0.0	0.0	-1.8	0.8	-1.1
5) Obligation from written put options for non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As of 06/30/2019	26.6	85.4	1,051.0	82.4	-90.8	1,154.6	213.3	1,367.9

Selected Explanatory Notes

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.

2) Accounting Principles

The present Consolidated Interim Financial Statements of NOVOMATIC AG as of June 30, 2020, were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU applicable for interim financial reports. The accounting policies of December 31, 2019 have been applied unchanged, with the exception of the amended standards described below. For more information, please refer to the Consolidated Financial Statements of NOVOMATIC AG as of December 31, 2019.

The Consolidated Interim Financial Statements were prepared under the going concern assumption. The condensed reporting scope of the Consolidated Interim Financial Statements is in conformity with IAS 34, "Interim Financial Reporting".

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

3) Scope of Consolidation

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

- Greentube Malta SEE Limited, Malta
- Speelautomatenexploitatie Topa B.V., Netherlands
- Spiellounge Entertainment GmbH, Germany
- Queensgate Leisure (Bradford) Ltd., United Kingdom

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

Scope of consolidation	Fully consolidated	Valued at equity
As of 01/01/2020	199	4
First-time inclusion in 2020	4	0
Disposed of in 2020	4	0
Merged in 2020	3	0
As of 06/30/2020	196	4
thereof non-Austrian companies	183	3

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.

4) Accounting Policies

Standards and Interpretations to be Applied for the First Time in the 2020 Fiscal Year

The following new or revised standards and interpretations came into force for the first time during the current reporting period. They had no significant impact on the Consolidated Interim Financial Statements.

Standard / Interpretation		Must be applied in 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
IFRS 3	Amendment: Definition of a Business	January 1, 2020
IFRS 9/IAS 39/IFRS 7	Amendment: Interest Rate Benchmark Reform	January 1, 2020

Furthermore, in the second quarter of 2020 the International Accounting Standard Board published an amendment to IFRS 16 (“Rental Concessions Related to the COVID-19 Pandemic”), which allows lessees a practical simplification in accounting for rental concessions as a result of the COVID-19 pandemic. This change is currently not yet applicable in the European Union. For the interim consolidated financial statements as of June 30, 2020, the existing regulations of IFRS 16 “Leases” were applied unchanged.

Information on Assumptions and Judgments related to the COVID-19 Pandemic

From today’s perspective, the long-term operational and economic impact of the ongoing COVID-19 pandemic can only be foreseen to a limited extent. Estimates and assumptions relevant to the financial statements were made to the best of our knowledge, based on current events and country-specific government-imposed measures. Assumptions were made and discretionary powers were exercised in particular in the course of the assessment of the impairment of assets.

5) Impact of the COVID-19 pandemic

Business development in the first half of 2020 was significantly influenced by the impact of the COVID-19 pandemic, which led to far-reaching lockdown measures and numerous restrictions on public life in many countries.

In its “Gaming Operations” division, the Group was directly affected by the nationwide closure of gaming facilities, while the “Gaming Technology” division was hampered by a temporary reduction in gaming machine production. These restrictions and challenges have resulted in a significant decline in revenues in key markets.

Since the operation of the Group’s own locations (casinos, gaming arcades, sports betting outlets and bingo operations) had been temporarily disallowed altogether, revenues from operation of slot machines and live games as well as betting revenues declined. Business relations with customers in the rental and sales area were also affected by this unfavorable environment. Income from variable rental models (such as revenue sharing agreements) was lost due to the required closure of the locations operated by customers. In the case of rental models with fixed rental agreements, country-specific solutions (rent reductions or extended payment terms) were agreed with customers on an individual basis for the duration of the crisis. Sales revenues were also down due to lower sales volumes resulting from reduced demand for gaming machines. During this time, a shift of activities to the online sector (eBusiness) became evident among customers, which led to an increase in revenues from our portfolio in this area. However, it was nowhere near able to offset the revenue losses in the other categories.

In response to this unfavorable business situation, the Group has introduced various savings and optimization measures to improve its expense structure. Production capacities were temporarily reduced or bundled at specific locations in order to respond to the shift in demand. State subsidies for personnel costs were claimed in order to secure and maintain jobs. The extent of these support measures varies from country to country (where applicable), with short-time work models and subsidies being particularly noteworthy. Furthermore, the aforementioned closures made it impossible to use the rented leasing objects properly over a period of several months. In this regard, depending on the jurisdiction, legal regulations or individual agreements made with the landlords regarding rent reductions or deferrals were applied. Gambling taxes and betting fees, which are mainly variable, came in lower due to the decline in underlying revenues. In addition, the Group availed itself of reductions in advance tax payments and longer payment terms offered by the authorities in order to strengthen its liquidity position.

In Europe, government measures have, in the meantime, been relaxed to a certain extent. These measures are subject to ongoing monitoring and may lead to new regulations, depending on the situation. Consequently, the Group has resumed its operating activities in the European markets by gradually reopening the venues with a corresponding start-up phase and by increasing its production output. In the other markets (primarily Latin America), a comparable development still seems too uncertain and is not expected before late autumn.

The COVID-19 pandemic continues to have a significant impact on the development of the markets in which the Group operates. Current developments are monitored by the Group, and the impact on the Group's operating activities and liquidity is reassessed at regular intervals. The further impact on the full year 2020 currently cannot be conclusively assessed.

6) Company Acquisitions

On February 10, 2020, 100 percent of the shares in Speelautomatenexploitatie Topa B.V. in the Netherlands were acquired. The acquired company operates a slot arcade in Rotterdam.

On February 27, 2020, 100 percent of the shares in Spiellounge Entertainment GmbH in Germany were acquired. The acquired company operates 11 gaming arcades in Lower Saxony.

On March 11, 2020, 100 percent of the shares in Queensgate Leisure (Bradford) Ltd. in the United Kingdom were acquired. The acquired company operates 3 gaming facilities in Bradford.

With the above acquisitions, the Group is strengthening and enhancing its market position in the European core markets.

In addition, an asset deal was concluded on March 9, 2020, with MTD Gaming Inc. in the United States. MTD is a developer and provider of high-quality poker, keno and video reel content for multi-games and video lottery terminals (VLTs). The transaction is classified as a business operation under IFRS 3 and will support Ainsworth's growth and profitability strategy.

These company acquisitions have been recognized pursuant to IFRS 3 partially using provisional values as of the reporting date. Accordingly, the values in the opening balances have not yet been finally determined, and the allocation of the total purchase price to the assets acquired and liabilities assumed has also not yet been completed. In particular, changes in the values of goodwill, intangible assets as well as the consideration paid may still occur. The inclusion of these acquired companies or business operations in the Consolidated Interim Financial Statements is therefore partially based on preliminary fair values.

The following table summarizes the preliminary fair values of these company acquisitions:

EUR m	Preliminary fair values
Intangible Assets	24.9
Right-of-use assets	3.7
Property, plant, and equipment	1.7
Cash and cash equivalents	1.4
Other current assets	0.1
Non-current liabilities and provisions	-6.1
Deferred tax liabilities	-3.5
Current liabilities and provisions	-1.1
Net assets	21.0
Goodwill	18.8
Consideration	39.8

The consideration of EUR 39.8 million comprises a share of EUR 33.7 million already paid in cash and a contingent consideration of EUR 6.2 million. 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. The goodwill is expected to be tax-deductible for EUR 11.9 million.

Revenue amounts to EUR 1.6 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR -0.4 million.

7) Company Sales

In February 2020, the 100 percent shareholding in HTL Montenegro d.o.o. and its subsidiary MNA Gaming d.o.o. was sold. The companies' business activities included the rental of gaming machines and the operation of gaming facilities in Montenegro.

Furthermore, a majority stake in an Austrian company and its subsidiary, which mainly performed manufacturing activities, was sold.

The purpose of these disposals was to streamline the Group's portfolio. The consideration amounted to EUR 1.4 million and has already been paid in full. The sale of the shares in the above-mentioned companies resulted in a gain on final consolidation of EUR 0.2 million (reported under other operating income) for the Group.

8) Notes to the Consolidated Balance Sheet

(8.1) Intangible Assets

Goodwill is reported under intangible assets with a carrying amount of EUR 286.9 million (previous year: EUR 268.8 million). The change results substantially from the preliminary accounting of the acquisitions mentioned above.

(8.2) Right-of-use Assets

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

EUR m	06/30/2020	12/31/2019
Real estate (primarily slot arcades)	566.9	621.0
Gaming devices	29.0	36.0
Office and business equipment, vehicle fleet	6.3	7.1
	602.2	664.1

Depreciation is carried out using the straight-line method over the underlying contractual term or economic useful life.

(8.3) Impairment of Assets

The comparison of carrying amounts with the recoverable amounts for the (groups of) cash-generating units is carried out once every year as part of the annual impairment test on September 30. Assets are also tested for impairment if indications of impairment arise during the current financial year.

In connection with COVID-19, an adverse development was observed in the first half of 2020, mainly due to temporary site closures. On the one hand, this made it impossible for operating companies to generate revenues during the period of this closure, while on the other hand, the target market for sales companies was restricted during this period. In addition, the cost of capital developed negatively during this period. Both the negative development of the cost of capital and the limited business activities and the resulting lack of earnings contributions are important indicators for assessing the recoverable value of individual assets and cash-generating units. In accordance with IAS 36, there are indications of impairment as a result of the developments mentioned above.

The development was constantly monitored through ongoing analyses of the respective market situation and the preparation of forecasts, taking into account a ramp-up phase following the lockdown. Following the reopening, the Group continued to examine the extent in which COVID-19 would restrict business activities in the long term. Based on the results after reopening, a positive development could already be seen. The following groups of cash-generating units (CGUs) were identified as critical on the basis of the analysis of the previous headrooms in the impairment tests in the past, previous experience from reopenings after the local lockdowns and the corresponding expectations for the future:

Groups of cash-generating units	Recoverable amount	Discount rate	Pre-tax/post-tax interest rate
Gaming Operations – Spain	Value-in-use	13.56 %	Pre-tax interest rate
Gaming Technology – Ainsworth	Value-in-use	13.51 %	Pre-tax interest rate

Based on the impairment tests performed, an impairment of EUR 0.9 million is required in the CGU Gaming Operations – Spain as of June 30, 2020. In the CGU Gaming Technology – Ainsworth, an impairment of EUR 7.3 million is required.

Furthermore, in the cash-generating unit Gaming Technology – Germany an impairment was carried from the valuation of machines and assets under construction in the amount of EUR 2.1 million, while a write-up of EUR 5.3 million was recognized. The impairments in the remaining markets amount to EUR 1.3 million. The write-ups in the remaining markets amount to EUR 1.3 million.

(8.4) Financial assets

The NOVOMATIC Group indirectly holds a 9.45 percent interest in Österreichische Lotterien Gesellschaft m.b.H. (ÖLG). The 17.19 percent interest in Casinos Austria Aktiengesellschaft (CASAG) was sold in the first half of 2020.

(8.5) Cash and Cash Equivalents

Bank balances amounted to EUR 684.7 million (previous year: EUR 367.5 million). The stated cash in the amount of EUR 131.7 million (previous year: EUR 163.6 million) largely serves as cash reserves and base filling of the gaming machines at the various gaming establishments.

(8.6) Non-Current and Current Financial Liabilities

Regarding non-current financial liabilities, NOVOMATIC AG drew a further amount of EUR 280.0 million, compared to the end of the year, on its revolving credit lines, while a bond liability with an issue volume of EUR 200.0 million was reclassified as current.

As of June 30, 2020, current financial liabilities include bank liabilities, derivatives and other current financial liabilities, as well as a bond (ISIN AT0000A182L5, nominal value: EUR 200 million, final repayment on June 23, 2021) with a carrying amount of EUR 199.8 million.

(8.7) Non-Current and Current Lease Liabilities

The lease liabilities recognized in the balance sheet result from 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.

9) Notes to the Profit and Loss Account

(9.1) Revenues

Revenues by business unit developed as follows:

EUR m	01-06/2020	01-06/2019
Sales revenues	94.4	197.7
Income from slot machines	335.2	597.2
Live game	15.3	24.1
Income from rent and management services	186.1	265.9
Betting revenues	63.0	82.5
eBusiness income	106.1	72.8 ¹
Income from food and beverage	10.1	22.9
Other sales	19.4	32.3 ¹
Sales reductions	-24.3	-36.0
Total	805.4	1,259.4

¹⁾ The comparative information has been adjusted according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

(9.2) Personnel Expenses

After deduction of the COVID-19-related government grants, personnel costs came in at EUR 292.3 million (previous year: EUR 383.4 million).

(9.3) Taxes

Taxes are calculated during the year using the income tax rate applicable in each country.

(9.4) Result from Discontinued Operations

The result from discontinued operations amounted to EUR 2.0 million and included a final payment from the sale of the UK Gaming Technology sub-segment completed in 2019. In the previous year's period, this item included the results of the discontinued operations UK Gaming Technology, Croatia and the NLS Group.

10) Segment Reporting

01-06/2020

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	313.5	490.6	1.3	0.0	805.4
Inter-segment revenues	59.0	4.6	3.4	-67.1	0.0
Total revenues	372.5	495.2	4.7	-67.1	805.4
Depreciation and amortization, impairment and reversal of impairment	-104.1	-124.3	-1.4	0.0	-229.8
Segment result (EBIT)	-15.7	-80.2	0.0	-2.6	-98.6
Financial result					-11.3
Earnings before taxes					-109.9
Tax expenses					-0.2
Net result for the period from continued operations					-110.1

01-06/2019

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	483.4 ¹	775.0 ¹	1.0	0.0	1,259.4
Inter-segment revenues	69.1 ¹	7.8 ¹	2.9 ¹	-79.7 ¹	0.0
Total revenues	552.5	782.8	3.8	-79.7	1,259.4
Depreciation and amortization, impairment and reversal of impairment	-129.3 ¹	-118.0 ¹	-1.4	0.0	-248.7
Segment result (EBIT)	19.8¹	35.1¹	-2.3	-1.6¹	51.0
Financial result					-17.5
Earnings before taxes					33.5
Tax expenses					-15.0
Net result for the period from continued operations					18.5

¹⁾ The comparative information has been adjusted according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Revenues are distributed among the individual regions as follows:

01-06/2020

EUR m	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online	Total
Gaming Technology	18.4	130.8	29.4	4.0	16.2	2.6	25.2	44.3	42.6	313.5
Gaming Operations	94.3	135.6	49.6	41.8	21.1	21.3	76.5	0.0	50.5	490.6
Other	0.0	0.5	0.0	0.3	0.0	0.0	0.0	0.5	0.0	1.3
Revenues	112.7	266.9	79.0	46.0	37.3	23.9	101.7	44.8	93.1	805.4

01-06/2019

EUR m	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online	Total
Gaming Technology	32.8 ¹	138.0	90.2	13.2	41.6	5.4	40.1 ¹	98.1 ¹	23.9 ¹	483.4
Gaming Operations	141.2	200.1	91.6	85.1	44.2	42.1	132.9	0.0	37.8 ¹	775.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0
Revenues	174.0	338.1	181.8	98.3	85.9	47.5	173.0	99.1	61.7	1,259.4

¹⁾ The comparative information has been adjusted according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

11) Disclosures on 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

EUR m	06/30/2020	12/31/2019	Hierarchy
Financial assets			
Investments in non-consolidated entities	4.0	4.7	Level 3
Investments – Other	25.2	29.9	Level 3
Investments – Financial investments	127.6	231.8	Level 1/3
Securities – Equity instruments	18.5	20.4	Level 1
Securities – Debt instruments	0.7	0.8	Level 1
Securities – Investment funds	-	0.1	Level 1
Financial liabilities			
Derivatives (negative market values)	0.1	0.3	Level 2

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 now relate exclusively to the indirectly held 9.45 percent interest in Österreichische Lotterien Gesellschaft m.b.H. (ÖLG), while the previous year's figure had still included the directly held 17.19 percent in Casinos Austria Aktiengesellschaft (CASAG). On December 10, 2019, NOVOMATIC AG had 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 was completed on June 26, 2020.

For the market value measurement of the financial investment in ÖLG, internally created company valuations were used applying recognized multiplier methods. An industry multiple derived from a peer group of six 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 9.44 and an EV/EBIT multiplier of 13.29. 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. This remeasurement of financial investments was recorded in equity, resulting in a revaluation of around EUR 0.8 million which had no impact on income in the current reporting period. 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 12.4 million.

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 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 (June 30, 2020)). 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	06/30/2020		12/31/2019	
	Nominal amount	Market value	Nominal amount	Market value
USD forward contract - positive market value	0.0	0.0	0.0	0.0
USD forward contract - negative market value	1.4	0.0	0.0	0.0
Interest rate swap	77.5	-0.1	77.5	-0.3
Total	78.9	-0.1	77.5	-0.3

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	06/30/2020		12/31/2019		Hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
Financial liabilities					
Bonds	696.3	660.5	695.7	714.5	Level 1
Bank liabilities	1,110.6	1,113.7	829.9	834.2	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 (June 30, 2020) 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.

12) Other Disclosures

Related Party Transactions

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

The NOVOMATIC Group has sold its majority interests in the Montenegrin and an Austrian company and their subsidiaries to a related party. The purchase price agreed in each case was defined by external valuation reports.

Seasonality of the Business

The business performance of the NOVOMATIC Group is generally not characterized by any significant seasonal fluctuations. Due to the COVID-19 pandemic, however, the volatility of revenues and earnings figures is currently significantly higher.

Contingent Liabilities

Contingent liabilities have been explained in more detail in the Consolidated Financial Statement as of December 31, 2019. There were no material changes to the listed contingent liabilities from 2019.

Dividends

The General Meeting on March 24, 2020 agreed the payment of a dividend totaling EUR 50.0 million to the shareholders. The payment of the agreed dividends was made in March 2020.

Compulsory Statement on the Review by an Auditor

The interim financial report 2020 was subject to neither a complete audit nor a review by an auditor.

13) Subsequent Events after the Interim Reporting Period

After June 30, 2020, the government restrictions were relaxed in further European markets, which above all enabled the successive reopening of the facilities in these affected markets.

Statement by the Executive Board

We confirm that to the best of our knowledge the Consolidated Interim Financial Statements of NOVOMATIC AG as of June 30, 2020 give 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 for the half-year 2020 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 the Group faces.

Gumpoldskirchen, September 4, 2020

The Executive Board of NOVOMATIC AG

Ryszard Presch

Member of the Executive Board

Johannes Gratzl

Member of the Executive Board