



NOVOMATIC AG
Annual Financial Report 2018

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Harald Neumann



Thomas Graf



Dr. Christian Widhalm



Ryszard Presch



Peter Stein



Bartholomäus Czapkiewicz

FOREWORD BY THE EXECUTIVE BOARD

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.

Harald Neumann
Chairman,
Chief Executive Officer

Dr. Christian Widhalm
Deputy Chairman,
Chief Investment Officer

Ryszard Presch
Chief Operating Officer

Thomas Graf
Chief Technology Officer

Peter Stein
Chief Financial Officer

Bartholomäus Czapkiewicz
Chief Systems Development Officer



CONSOLIDATED
FINANCIAL
STATEMENT

NOVOMATIC AG MANAGEMENT REPORT

Details on the 2018 Consolidated Financial Statement, NOVOMATIC AG, Gumpoldskirchen

1. Purpose of the Business and Strategy

NOVOMATIC¹ is a globally operating, integrated gaming technology and entertainment group with more than 35 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, manufactures and sells gaming products, lottery technologies and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC, furthermore, operates around 2,000 gaming facilities, which include casinos, slot arcades, betting outlets and bingo facilities.

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

NOVOMATIC pursues a strategy of vertical integration within the gaming industry, meaning it acts as a manufacturer of state-of-the-art gaming equipment as well as an operator of gaming facilities. In the years since its establishment, this has contributed significantly to the success of the company. With this integrated approach, the Group is able to introduce newly developed products into the marketplace very quickly, gain insights into their potential success and subsequently influence the development of new technologies in a goal-oriented manner.

2. Economic Conditions

Macroeconomic Development

In October 2018, the economists of the International Monetary Fund (IMF) forecast 3.7 percent growth in the global economy for 2018 and confirmed this growth in its World Economic Outlook (WEO) update in January 2019. This corresponds to the increase in the global economy of the previous year 2017. The reasons for the stagnating global growth appear to include newly implemented tariff barriers to trade, geopolitical tensions and increasingly unfavorable financing conditions.

On the other hand, economic growth in the eurozone was well below expectations in 2018. The 2.4 percent growth forecast by the IMF in April 2018 was revised to 1.8 percent in the WEO January 2019 update. Germany's weaker production output, as a result of new emission standards for vehicles as well as generally lower demand and high borrowing costs in Italy, are seen by IMF economists as just as decisive for this as the continuing protests in France. Despite employment growth and higher consumer spending, a decline in import volumes was recorded in the eurozone after a year of strong imports in 2017. While the low base rate is expected to remain unchanged at least until summer 2019, the European Central Bank (ECB) began to slowly reduce its corporate bond purchase program (CSPP) in December 2018.

The Austrian economy was able to maintain the positive economic momentum of 2018. According to estimates by the European Commission, GDP growth will be 2.7 percent² in 2018, higher than in 2017 (2.6 percent³). This is primarily attributed to strong domestic demand, which benefits from attractive labor market developments, a lowered unemployment rate to 4.8 percent and

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 Winter 2019 Economic Forecast for Austria of the Directorate-General for Economic and Financial Affairs (DG ECFIN) of the European Union

³ According to the Autumn 2018 Economic Forecast for Austria of DG ECFIN of the European Union

rising salaries. Rising exports, especially from the first half of the year, are also driving growth and are expected to settle at 4.6 percent, relatively unchanged from 2017 (4.7 percent). The European Commission expected GDP growth to slow in the second half of 2018, mainly as a result of external influences.

In Germany, lower exports and restrained private consumption, despite rising incomes and a historically low unemployment rate, are causing weaker economic growth, especially in the second half of the year. According to the economists of the European Commission, the increase in the German gross domestic product, after average growth of 2.1 percent⁴ in 2014 to 2017, fell back to 1.5 percent in 2018. Exports are also expected to continue on a downward trajectory in the following year. A further slowdown in growth in the German economy is forecast for 2019 (1.1 percent), before recovering slightly in 2020.

According to the IMF's WEO (January 2019), economic growth in Italy in 2018 was 1.0 percent, which is 0.2 percentage points below the figure forecast in October 2018. According to IMF experts, the reasons for this include weaker domestic demand due to the uncertain economic situation and rising borrowing costs. Italy's persistently weak industrial sector points to a further decline in economic growth in 2019. The IMF growth forecast for 2020 remains at a rate of 0.9 percent.

The moderate decline in economic growth forecast by the European Commission for Spain in 2018 was particularly noticeable in the first three quarters. However, economic impulses in the export sector boosted Spain's gross domestic product by 0.7 percentage points in the fourth quarter, resulting in overall growth of 2.5 percent⁵ in 2018. This means that economic growth was 0.5 percentage points behind the previous year and 0.1 percentage points below the European Commission's autumn 2018 forecast. The decline in private consumption is expected to cause a further slowdown in economic growth in subsequent years (2.1 percent in 2019 and 1.9 percent in 2020).

According to the IMF forecast published in January 2019, the United Kingdom will achieve growth of 1.4 percent in 2018, which is 0.2 percent lower than the April 2018 forecast. This downward correction reflects the ongoing political and economic uncertainty regarding the course of the country's withdrawal from the European Union (Brexit).

With macroeconomic growth of 2.9 percent, the United States was able to achieve a solid increase in 2018. After the Federal Reserve initiated a policy of modest rate hikes starting in 2015, the federal funds rate rose to a level of 2.5 percent. The imposition of duties on a number of Chinese products has made global trade more difficult and countermeasures are expected. Strong domestic demand led to the achievement of full employment in the US, thereby increasing imports and the current account deficit. The US dollar has also effectively strengthened by 6.5 percent since April, reflecting a widening growth gap between the US and other developed economies and a corresponding deviation in monetary positions.

The overall level of emerging and developing countries in Europe (CEE and Turkey) fell from 6.0 percent in 2017 to 3.8 percent in 2018. Turkey's gross domestic product (GDP) was hit particularly hard by the weaker lira and the general mood of uncertainty on the financial market (from 7.5 percent in 2017 to 3.5 percent in 2018). Romania's strong growth abated in 2017 as a result of fiscal policy measures and, according to the IMF forecast, is likely to have leveled off at 4.0 percent in 2018.

The growth rate of the remaining emerging and developing countries was unchanged over 2017 at 4.6 percent. China saw tempered development, which is mainly attributed to the duties imposed by the USA. However, the other emerging and developing countries in Asia were able to offset this negative effect, with the region recording growth of 6.5 percent. Other markets developed positively, with the Commonwealth of Independent States, in particular, benefiting from the development of oil prices and production.

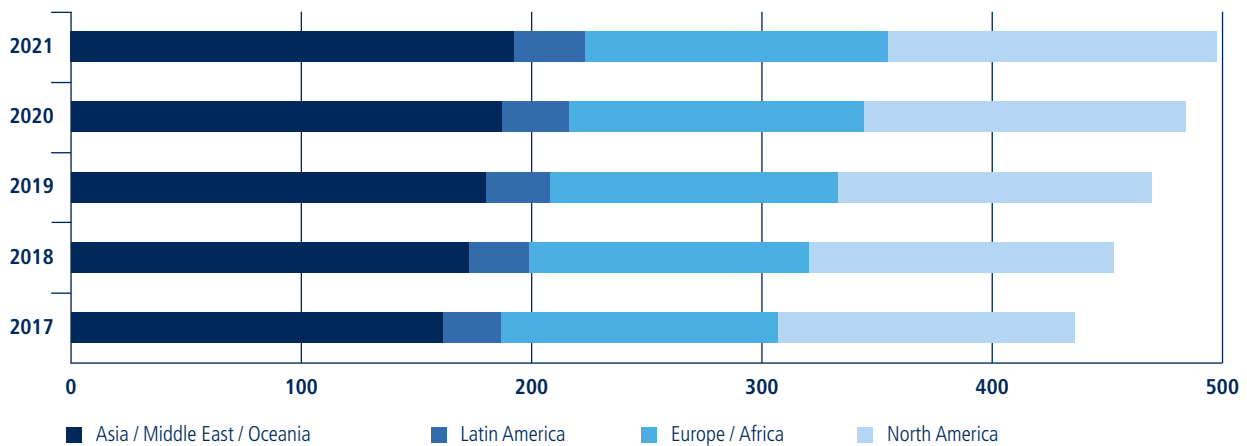
⁴ According to the Winter 2019 Economic Forecast for Germany of DG ECFIN of the European Union

⁵ According to the Autumn 2019 Economic Forecast for Spain of DG ECFIN of the European Union

Development of the Gaming Market

Worldwide gaming revenues rose again in 2018, in line with a long-term trend, reaching USD 453 billion, according to the Global Gambling Report of Global Betting and Gaming Consultants (GBGC)⁶. This is an increase of 3.9 percent over the previous year. The casino and lottery sectors again achieved the highest growth this year, with 6.4 percent and 6.0 percent respectively compared to 2017.

WORLDWIDE GAMING REVENUES IN BILLION USD (SOURCE: GBGC)



In Europe/Africa, NOVOMATIC's most important gaming market, gaming revenues amounted to USD 121.7 billion in 2018. Lottery constitutes the most important sector in terms of revenue at USD 39.9 billion and increased its share of total revenues by USD 1.6 billion compared to 2017. The gaming devices sector outside casinos continues to be the sector with the second-highest revenues in Europe/Africa, but lost 8.1 percent of revenues in 2018, partly due to changes in the legal framework. According to the GBGC report, the European/African market will have recorded an increase in revenue of 0.9 percent in 2018 against the previous year. Nevertheless, average growth from 2018 to 2022 is expected to be around 2.8 percent. However, this growth depends on the regulatory framework in the individual European markets.

Gross gaming revenues in the North American gaming market amounted to USD 132.3 billion in 2018, representing growth of 2.9 percent over 2017. The gaming devices sector outside of casinos and lottery achieved a significant increase of 3.4 percent in this market. The casino sector accounts for 57.5 percent of the total volume of the market and is divided into commercial casinos (USD 42.7 billion) and tribal casinos (USD 33.4 billion) operated by Native Americans. For the average growth between 2018 and 2022, the US gaming market is expected to see the weakest average increase (2.4 percent) of all gaming markets.

According to the GBGC, global online gaming revenues reached USD 48.61 billion in 2018, representing 10.7 percent of global gross gaming revenues. After a rapid rise in growth rates between 2007 and 2015, they have stabilized at around 11.0 percent in recent years.

A mean annual growth rate of the Latin American gaming market is expected at 5.9 percent. In particular, the lottery and gaming equipment sectors outside casinos (video lottery terminals, fixed odds betting terminals and classic AWP⁷ equipment) promise strong growth potential with 7.0 percent and 7.8 percent, respectively. Gaming revenues increased by 4.8 percent against the previous year. In absolute terms, however, the importance of Latin America remains subordinate to the other regions. With a gross gaming yield of USD 26.1 billion in 2018, the market accounts for only 5.8 percent of global gaming revenues.

⁶ According to the Global Gambling Report of the GBGC, August 2018

⁷ Amusement with Prizes

3. 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 2,000⁸. 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.

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

⁸ Exklusive discontinued operations

new equipment that complies with the legal framework. The number of devices affected amounted to around 95,000⁹.

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.

⁹ Rented devices to third parties as well as within the Group

Consolidated Financial Statement for NOVOMATIC

EARNINGS POSITION

EUR m	2018	2017	Difference absolute	Difference in %
Revenues	2,613.6	2,366.1	247.5	10.5 %
Gaming taxes and betting fees	-297.1	-274.3	-22.9	8.3 %
Revenues after deduction of gaming taxes and betting fees	2,316.5	2,091.9	224.6	10.7 %
Changes in inventories of finished goods and work in progress	19.6	5.6	14.0	252.2 %
Own work capitalized	279.8	218.6	61.3	28.0 %
Other operating income	76.2	130.6	-54.4	-41.7 %
Cost of material	-496.6	-330.9	-165.7	50.1 %
Personnel costs	-776.6	-705.5	-71.2	10.1 %
Total other operating expenses	-863.2	-848.3	-14.9	1.8 %
EBITDA	555.6	561.9	-6.3	-1.1 %
EBITDA margin	21.3 %	23.7 %	-2.5 %	-10.5 %
Depreciation and amortization, impairment and reversal of impairment	-687.6	-341.4	-346.1	101.4 %
EBIT	-131.9	220.5	-352.4	-159.8 %
EBIT margin	-5.0 %	9.3 %	-14.4 %	-154.2 %
Financial result	-27.6	-21.6	-6.0	27.7 %
Earnings before taxes	-159.5	198.9	-358.4	-180.2 %
Income tax	32.5	-101.6	134.1	-132.0 %
Net Result from continued operations	-127.0	97.3	-224.3	-230.6 %
Result from discontinued operations	-27.9	-35.9	8.0	-22.3 %
Annual Result	-154.9	61.4	-216.3	-352.4 %

Key Figures from Earnings Position	2018	2017
Earnings before interest and tax (EBIT) (in EUR m)	-122.7	239.7
Profit margin	-4.7 %	10.1 %
Return on equity	-11.7 %	15.0 %
Return on total capital	-3.0 %	5.8 %
Interest coverage ratio	-3.6	5.4
Effective tax rate	-20.4 %	-51.1 %

EBITDA and EBIT are operating figures that are not defined in the International Financial Reporting Standards (IFRS). They serve the management as measurement and control parameters for the business success and the profitability of the Group. EBIT at NOVOMATIC corresponds to the operating result as presented in the consolidated income statement. EBITDA is calculated from the operating result (EBIT), adjusted for depreciation, impairments and reversal of impairments on intangible assets as well as property, plant and equipment. EBITDA margin is calculated based on EBITDA in relation to revenues. EBIT margin is derived from EBIT in relation to revenues. Earnings before interest and tax are the result of an adjustment of interest expenses on earnings before taxes. Profit margin corresponds to a proportion of earnings before interest and tax to revenues. Return on equity is the proportion of earnings before interest and tax to equity. Return on total capital is derived from earnings before interest and tax in relation to total capital. Interest coverage is the ratio between EBIT and interest expenses. Effective tax rate is the proportion of tax expenses to earnings before taxes.

Through organic and acquisition-driven growth, revenues reached an all-time high of EUR 2,613.6 million during the 2018 fiscal year. This is an increase of EUR 247.5 million (+ 10.5 percent) over the previous year.

The largest absolute increase was achieved in the area of sales revenues which rose by EUR 180.4 million to EUR 388.1 million (+86.8 percent). In addition to the acquisition of a total of 52.2 percent of the shares in Ainsworth Game Technology Ltd. (EUR +160.5 million of revenues), the Group companies in Eastern Europe (EUR +10.7 million) and Spain (EUR +6.5 million) in particular made the largest contributions to the increase in sales revenues due to growing demand for NOVOMATIC devices.

Revenues from machines also increased significantly by EUR 73.7 million (+6.2 percent). The core markets of Spain and Eastern Europe contributed to this development by rolling out new locations and improving existing ones. In Austria and Italy, increases in the performance of gaming machines mainly had a positive effect. With an increase of 12.0 percent over 2017, betting revenues are the type of revenues with the strongest percentage growth in operations. The growth in the betting business is mainly attributable to the rising performance in Austria (EUR +9.2 million) and the expansion of operating activities in Italy (EUR +4.2 million). E-business revenues declined by EUR 29.8 million (-15.6 percent), mainly due to the termination of B2B business in Germany. 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, increased in 2018 to EUR 297.1 million, compared to EUR 274.3 million in the previous year. The growth of 8.3 percent is primarily attributable to the core markets of Austria, Eastern Europe and the online segment.

Total other operating income fell by EUR 54.4 million compared to the same period in 2017. The negative deviation is mainly due to the absence of earnout income (EUR 37.7 million) and the deconsolidation effect from the sale of the Peruvian subsidiaries (EUR 9.4 million) in the previous year.

The rise in own work capitalized of EUR 61.3 million (+28.0 percent) stems largely from the core market of Germany. The increase in the change in inventories of EUR 14.0 million (+252.2 percent) and the cost of materials of EUR 165.7 million (+50.1 percent) is also largely attributable to Germany and Austria. All positions largely reflect the preproduction of self-produced gaming devices, which is necessary as a result of the amendment to the German Gaming Ordinance. As a result, from November 11, 2018, only devices corresponding to the new TR 5.0 may be operated.

Personnel costs in the NOVOMATIC Group came in at EUR 776.6 million in the year under review, compared to EUR 705.5 million in the previous year. The increase is mainly attributable to the acquisition of Ainsworth Game Technology Ltd. (EUR 36.0 million) as well as the increasing business activity, especially in the concessions business through organic and acquisition-related growth.

Other operating expenses (excluding gaming taxes) increased to EUR 863.2 million, compared to EUR 848.3 million during the previous year. This increase is connected to the expansion of business activities and stem mainly from the acquisition of Ainsworth Game Technology Ltd. (EUR 28.2 million) as well as from the countries in which there was a high level of acquisition activity (in particular of gaming arcade operators). In addition, other operating expenses in Germany rose by EUR 40.5 million. This is mainly due to extraordinarily high expenses in the areas of logistics and administration in connection with the conversion of devices to comply with TR 5.0.

Despite these increases, other operating expenses rose at a slower rate than revenues (+1.7 percent). In the previous year, the result was impacted to a greater extent by foreign currency effects and provisions for impending losses of the NOVOMATIC Lottery Solutions group compared with 2018. The exchange losses at the end of 2017 amounted to EUR 27.0 million, compared with EUR 8.5 million in 2018. The foreign currency losses in 2017 related in particular to NOVOMATIC AG and stemmed from the operating business and from the measurement of open forward contracts serving to hedge foreign exchange.

In additional, part of the provision for anticipated losses of NOVOMATIC Lottery Solutions GmbH amounting to EUR 17.1 million was used in 2018. In the previous year, the provision for anticipated losses in the amount of EUR 23.9 million was allocated to reduce earnings.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 555.6 million, compared to EUR 561.9 million in 2017. The EBITDA margin in 2018 was 21.3 percent, 2.4 percentage points below the previous year's level (23.7 percent). This decline in the EBITDA margin is mainly due to margin decrease in the online business in light of the discontinuation of a profitable business segment. The operating result (EBIT) declined by EUR 220.5 million to EUR -131.9 million due to higher depreciation and amortization as well as high impairments in 2018. The increase in depreciation and amortization from EUR 297.3 million to EUR 331.3 million is mainly attributable to the acquired companies as well as higher depreciation of gaming devices in Germany. Impairments increased by around EUR 313.1 million to EUR 367.0 million, compared to the same period last year. The most significant impairment relates to Ainsworth Game Technology Ltd. Since the acquisition of Ainsworth Game Technology Ltd., in the course of the 2018 fiscal year the earnings situation in key core markets has deteriorated. Due to the fact that the company has only belonged to the Group for a short time, NOVOMATIC has not yet been able to take appropriate countermeasures. Following an evaluation of the long-term earnings outlook at the end of 2018, impairments of EUR 264.3 million were recorded, mainly due to performance issues in Australia. Further significant devaluations were carried out in Germany. Due to the conversion of gaming devices to the new TR 5.0, the devices were valued at the balance sheet date for future use, against the background of a shrinking gaming market. This resulted in impairments of EUR 39.4 million on gaming devices. In addition, impairment losses of EUR 19.2 million were recognized in the German slot arcade segment due to the current difficult market situation. Further impairment losses were recognized, in particular, in the casino business in the core markets of Eastern Europe and Spain. The impairments are offset by impairment reversals in the amount of EUR 10.7 million.

The financial result decreased from EUR -21.6 million in the previous year to EUR -27.6 million. Financial income decreased by EUR 17.2 million compared to the previous year, mainly due to lower income from financial investments. In addition, financial expenses rose by EUR 4.2 million. On the other hand, there were positive currency effects from intragroup financing, which increased by EUR 15.3 million compared with the 2017 fiscal year.

The earnings before taxes decreased to EUR -159.5 million during the reporting period. This corresponds to a decrease of EUR -358.4 million. The effect from income taxes increased earnings in 2018. The decline in the current income tax resulted mainly from the decline in earnings in Germany and the utilization of deferred tax assets from impairments of Ainsworth Game Technology Ltd. Furthermore, income taxes from prior periods increased earnings.

The result of the discontinued business operations is shown in an appendix.

Important Key Figures

Leased gaming devices¹⁰

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	CEE	Rest of the World	Online
2018	157,558	1,489	84,757	41,375	–	6,523	45	13,352	10,017	–
2017	168,739	1,489	102,195	45,406	–	3,891	–	12,898	2,860	–

Self-operated gaming devices¹¹

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	CEE	Rest of the World	Online
2018	63,481	2,244	13,171	7,641	16,400	3,984	4,463	15,212	366	–
2017	62,028	2,234	13,320	7,776	16,567	3,092	4,342	14,260	437	–

Gaming devices sold¹²

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	CEE	Rest of the World	Online
2018	30,502	3,924	–	653	–	9,538	1,081	3,097	12,209	–
2017	24,010	6,264	–	613	–	9,693	994	1,996	4,450	–

Segment Analysis

EUR m	2018	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	CEE	Rest of the World	Online
Revenues	2,613.6	373.6	724.0	401.1	164.6	152.1	92.8	375.6	219.5	110.2
Gaming Technology	968.1	93.0	282.5	193.5	10.7	70.7	13.2	78.3	217.8	8.5
Gaming Operations	1,644.9	280.6	441.5	207.6	153.8	81.4	79.7	297.3	1.3	101.7
Other	0.6	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.4	0.0

EUR m	2017	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	CEE	Rest of the World	Online
Revenues	2,366.1	335.9	722.4	371.7	160.0	126.4	84.4	341.7	77.2	146.5
Gaming Technology	840.2	78.2	285.7	202.0	10.8	60.4	12.6	65.9	60.3	64.2
Gaming Operations	1,525.5	257.7	436.7	169.8	149.1	66.0	71.7	275.8	16.6	82.2
Other	0.4	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.3	0.0

EUR m	Change	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	CEE	Rest of the World	Online
Revenues	247.5	37.7	1.6	29.4	4.6	25.7	8.5	33.9	142.3	-36.3
Gaming Technology	127.9	14.8	-3.2	-8.5	-0.1	10.3	0.5	12.4	157.5	-55.8
Gaming Operations	119.4	22.8	4.8	37.9	4.7	15.5	8.0	21.5	-15.3	19.5
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0

¹⁰ Number to third parties at the end of the period

¹¹ Number to third parties at the end of the period

¹² Number to third parties during the period

Segment Reporting Contents

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

The Gaming Technology segment comprises the business segment focusing on the development, production, leasing, and sale of gaming equipment, gaming content, and gaming technology. The Gaming Technology segment also includes Group activities in the areas of online and mobile gaming, sports betting, and lottery technology, 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 VLT¹³ devices and 19.25 percent for AWP devices. Further tax increases were decided on for the 2019 fiscal year.

¹³ Video lottery terminal – networked gaming devices

Nevertheless, with more than 265,000 operated AWP devices and 55,000 VLT devices¹⁴, 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 machines¹⁵, 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 bars¹⁶. 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.

¹⁴ According to the Gambling Compliance dated September 8, 2017

¹⁵ According to the UK Gambling Commission Industry statistics from April 2015 to March 2018

¹⁶ According to the 2017 Annual Report of the Netherlands Gaming Authority

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.

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.

Net Assets

BALANCE SHEET

Condensed Version

EUR m	12/31/2018	12/31/2017	Difference absolute	Difference in %
Non-current assets	2,576.3	2,446.1	130.3	5.3 %
thereof intangible assets	854.5	881.4	-26.9	-3.0 %
thereof property, plant and equipment	1,148.8	1,041.7	107.2	10.3 %
thereof financial assets	326.0	271.2	54.8	20.2 %
Current assets	1,522.7	1,653.6	-130.9	-7.9 %
thereof inventories	294.5	268.1	26.3	9.8 %
thereof accounts receivable, other receivables and assets	437.7	408.7	29.0	7.1 %
thereof cash and cash equivalents	538.5	899.7	-361.2	-40.1 %
there of non-current assets and disposal groups held for sale	166.0	20.4	145.6	714.5 %
ASSETS	4,099.1	4,099.7	-0.6	0.0 %
Shareholders' equity	1,358.6	1,328.9	29.7	2.2 %
thereof share capital	26.6	26.6	0.0	0.0 %
thereof capital reserves	85.4	85.4	0.0	0.0 %
thereof retained earnings	1,042.2	1,169.0	-126.8	-10.8 %
thereof revaluation reserve	82.2	23.3	58.9	253.0 %
thereof currency translation adjustment	-89.9	-66.8	-23.2	34.7 %
thereof non-controlling interests	212.2	91.4	120.8	132.1 %
Non-current liabilities	1,829.5	2,098.2	-268.7	-12.8 %
thereof bank loans	867.9	878.1	-10.2	-1.2 %
thereof non-current provisions	95.7	83.8	11.9	14.2 %
Current liabilities	910.9	672.6	238.3	35.4 %
thereof current financial liabilities	288.3	72.0	216.3	300.2 %
thereof trade payables and other liabilities	461.1	429.8	31.3	7.3 %
there of liabilities directly related to non-current assets and disposal groups held for sale	52.4	16.2	36.2	223.2 %
EQUITY AND LIABILITIES	4,099.1	4,099.7	-0.6	0.0 %

Key Figures on net worth and financial position	2018	2017
Net debt (in EUR m)	1.325.4	1.001.4
Working capital (in EUR m)	611.8	981.1
Gross debt (in EUR m)	1.863.8	1.901.0
Equity ratio	33,1 %	32,4 %
Net gearing ratio	2.4	1.8
ROCE	-4.1 %	6.4 %

Net Debt corresponds to the sum of long-term and short-term financial liabilities subtracted by cash and cash equivalent. Working capital is the difference between current assets and current liabilities. Equity ratio exhibits the portion of equity to total capital. Gross debt is the sum of long-term and short-term financial liabilities. Net gearing ratio corresponds to the portion of net debt in relation to operating result added back depreciation and amortization, impairment and reversal of impairment (EBITDA). ROCE is the portion of EBIT in relation to the sum of equity and long-term liabilities.

Total balance sheet amounting to EUR 4,099.1 million as of December 31, 2018, decreased by EUR 0.6 million compared to the figure of December 31, 2017.

Non-current assets increased by 5.3 percent to EUR 2,576.3 million. This growth is mainly attributable to the increase in property, plant and equipment (EUR + 107.2 million) and stems from the acquisition of Ainsworth Game Technology Ltd. (+ EUR 84.5 million) and the increase in property, plant and equipment in Germany (+ EUR 112.7 million), which mainly resulted from the substantial investments made in connection with the conversion of devices to the new technical directive 5.0 in Germany. The increase in property, plant and equipment is offset by the reallocation of non-current assets and disposal groups held for sale to current assets (EUR 67.2 million).

Intangible assets decreased by EUR 26.9 million compared to 2017. This is mainly due to the reallocation to non-current assets and disposal groups held for sale (EUR 33.2 million) as well as depreciation and impairments. On the other hand, additions to Ainsworth Game Technology Ltd. of EUR 71.4 million after impairment were recognized.

The financial assets mainly comprise minority interests in Austrian gaming companies, Casinos Austria AG and Österreichische Lotterien GmbH. In the reporting year, this position increased from EUR 271.2 million to EUR 326.0 million due to the revaluation of the shares as well as the valuation adjustment according to IFRS 9 (with no effect on income).

Current assets decreased by EUR 130.9 million in the reporting period. While the various balance sheet items of current assets increased as a result of the acquisition of shares in Ainsworth Game Technology Ltd. (EUR + 157.8 million), the cash outflow of EUR 361.2 million in the year under review is also mainly due to the acquisition of the Australian gaming group. As a result of the conversion of machines in Germany, current assets there decreased by EUR 53.4 million in the reporting period. The aforementioned decline is offset by the reallocation of assets to the non-current assets and disposal groups held for sale in the amount of EUR 145.6 million.

Equity increased by EUR 29.7 million to EUR 1,358.6 million during the reporting period. While revenue reserves, in particular, declined by EUR 126.8 million in the year under review due to the weak results of the fiscal year, the minority interests equity position increased by EUR 120.8 million due to the acquisition of shares in Ainsworth Game Technology Ltd. Furthermore, the valuation reserves increased by EUR 58.9 million as a result of a subsequent valuation of the financial participations.

The decrease in non-current liabilities by EUR 268.7 million is mainly due to the reallocation of a bond of EUR 250.0 million due at the end of January 2019 to current liabilities. In addition, liabilities from purchase price adjustments (EUR 35.5 million) were reclassified from non-current financial liabilities to current financial liabilities due to the possible maturity in 2019. The utilization of the credit line of EUR 1.0 billion amounted to EUR 200.0 million as at December 31, 2018.

Non-current assets and disposal groups held for sale

Due to the following circumstances, the classification, presentation, and measurement provisions of IFRS 5 had to be applied, through which several Group companies were presented as a group of non-current assets and disposal groups held for sale and/or discontinued operations in the Consolidated Financial Statement for 2018. Accordingly, the assets and liabilities were reported separately in the balance sheet and the result from the discontinued operations in the income statement.

In line with the closing in July 2018, I-NEW Group, assets held for sale in the previous year did not contain any remaining assets in the balance sheet at the end of 2018. The sale resulted in a deconsolidation loss of EUR 4.9 million for the Group. The net assets of the previous year included non-current assets and disposal groups held for sale of EUR 20.4 million and liabilities directly related to non-current assets and disposal groups held for sale of EUR 16.2 million.

In the fourth quarter of 2018, the management decided to sell the companies in Croatia. The Group companies concerned are allocated to all three functional segments of the NOVOMATIC Group and, at the balance sheet date on December 31, 2018, reported "non-current assets and disposal groups held for sale" in the amount of EUR 52.6 million and "liabilities directly related to non-current assets and disposal groups as held for sale" in the amount of EUR 5.7 million.

In the 2018 fiscal year, the Group companies in the Gaming Technology segment reported "non-current assets and disposal groups held for sale" of EUR 108.0 million and "liabilities directly related to non-current assets and disposal groups held for sale" of EUR 43.8 million.

Furthermore, the decision was taken to sell the two Spanish casinos as well as an Austrian property not required for operations. The "non-current assets and disposal groups held for sale" recognized in this respect amounted to EUR 5.4 million and the "liabilities directly related to non-current assets and disposal groups held for sale" amounted to EUR 2.9 million.

Financial Position

	2018	2017	Change in EUR	Change in %
EBIT	-131.9	220.5	-352.4	-159.8 %
Cash flow from operating activities	483.3	422.3	61.1	14.5 %
Cash flow from investing activities	-714.5	-519.8	-194.7	-37.4 %
Free cash flow	-231.1	-97.6	-133.6	-136.9 %
Cash flow from financing activities	-143.7	109.7	-253.3	-231.0 %
Changes to cash and cash equivalents	-361.2	21.6	-382.8	-1,770.8 %

Across the Group, cash flow from operating activities totaled EUR 483.3 million in 2018, compared to EUR 422.3 million the previous year. The operating results in 2018 were burdened mainly with depreciation and impairment, which have no impact on cash. The cash flow was positively influenced by the reduction of inventories (EUR 38.2 million), which resulted primarily from Gaming Technology in Germany and Ainsworth Game Technology Ltd., as well as the reduction of receivables. The reduction of liabilities and provisions, however, led to a deterioration in the operating cash flow.

Cash flow from investing activities amounted to EUR -714.5 million resulted from an increase in cash outflows in the year under review, compared to EUR -519.8 million in 2017. The acquisition of intangible assets and property, plant and equipment resulted in higher cash outflows, mainly due to the acquisition of shares in Ainsworth Game Technology Ltd. (EUR 294.7 million¹⁷).

Cash flow from financing activities amounted to EUR -143.7 million during the reporting year, a considerable drop over the previous year's value of EUR 109.7 million. There were no repurchases of bonds in 2018. In addition, the cash flow from financing activities increased by the drawdown of a short-term OeKB loan with a total volume of EUR 250 million, while the repayment of a credit line negatively influenced the cash flow.

¹⁷ Including 616 Digital LLC, a company consolidated using the equity method

4. Non-Financial Performance Indicators

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

5. Prospective Development of the Group

In its latest analysis, the International Monetary Fund (IMF) assumes a global growth rate of 3.5 percent¹⁸ for 2019. Analysts at GBGC¹⁹, expect a similar trend, forecasting an increase in global gaming expenditures of 3.6 percent in 2019.

NOVOMATIC has pursued a growth strategy in recent years aimed at occupying market leadership positions in large, regulated gaming markets. In addition to continued organic growth, the focus in the 2019 fiscal year will increasingly be on consolidating existing investments and increasing synergies.

Changes in the gaming laws and tax conditions in the countries in which the NOVOMATIC Group operates have had a significant impact on NOVOMATIC's business in recent years. The changes in the regulatory framework in Germany led to a market reduction, which is expected to continue in 2019. Since the conversion to TR 5.0, a rising utilization of gaming machines can be seen. After a phase of acclimatization, it is expected that the trend of further rises in average checkouts per gaming machine will continue.

The Italian gaming market, a core market of the NOVOMATIC Group, will continue to be characterized by legal changes and tax increases in 2019. An attempt is made to compensate for these influencing factors by adjusting to the legally reduced payout ratio.

Starting from April 1, 2019, the maximum bet on gaming terminals in licensed betting offices in the UK will be limited to £ 2.00. It is assumed that this legal change will have a positive impact on the operating business.

The Dutch Gaming Authority (KSA) carries out consistently comprehensive testing procedures for the licensees, which also affects NOVOMATIC and its subsidiaries in the Netherlands. Currently there are no conclusive results. Any negative outcome of this review could disadvantage the business.

In Spain, a further increase in the market volume in the gaming arcade sector is expected in 2019, which will have an impact on the business activities of the NOVOMATIC Group.

In 2019, the strategy of opening up the highly competitive US market will be continued. Given the liberalization of sports betting in the USA, NOVOMATIC sees an additional clear potential to successfully serve the North American market.

Consolidation and optimization measures will continue to focus on cost efficiency and the exploitation of synergy effects in 2019.

¹⁸ According to the World Economic Outlook provided by the International Monetary Fund (IMF)

¹⁹ According to the Global Gambling Report of the GBGC, August 2018

6. Risk Management

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

Risk Management System

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

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

For continued monitoring of the risk and opportunity situation and to ensure active controlling, the risks and opportunities are assigned to the responsible individuals within the individual corporate areas and Group companies. It lies within the responsibilities of the risk officers to define and implement measures aimed at dealing with the individual risks and/or at seizing opportunities, to document emergent risks and opportunities, and to perform reassessments of the identified opportunities and risks at regular, defined intervals. Central risk management supports the individual areas in a consulting function and ensures the continuous updating and further development of the risk management system.

Compliance

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

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

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

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

Significant Risks and Uncertainties

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

Business and Market Risks

The NOVOMATIC Group's business is dependent on general economic conditions

There is a risk that a deterioration of general economic conditions, increasing unemployment, declining real incomes and increased volatility in the capital markets could have a significant negative impact on the net assets, as well as the financial and earnings positions of the NOVOMATIC Group.

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

It is possible that not all major risks related to acquisitions, joint ventures and investments are identified, which may have a substantial negative impact on the asset, financial and earnings positions of the NOVOMATIC Group.

NOVOMATIC operates in a highly technology-dependent field of business where new technologies are developed or used within short innovation cycles. There is a risk that NOVOMATIC may not recognize innovative technologies and developments at a sufficiently early stage.

The integrity, reliability and operative performance of the NOVOMATIC Group's IT systems are essential to the business. These IT systems may be damaged or interrupted due to increased load, human error or natural catastrophes. Illegal attacks or fraudulent manipulation could also damage or disrupt the IT systems. Any damage to the IT systems could result in widespread business problems and force NOVOMATIC to deploy considerable financial means to remedy such problems.

NOVOMATIC generates the majority of its revenues in a limited number of markets. As these are relatively well-developed markets, further growth opportunities are rather limited. NOVOMATIC plans to expand its business activities in other markets, an effort for which considerable resources are being deployed. There is a risk that the anticipated growth in these countries and regions will not be realized, and/or that the NOVOMATIC Group will not be successful in implementing its strategies there.

Personnel Risks

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

Legal and Geographic Risks

The NOVOMATIC Group's international business entails economic, political, legal and other risks

The NOVOMATIC Group is active in more than 70 countries. Some of these countries are politically or economically unstable which subjects NOVOMATIC to certain risks. Social unrest or strikes could force NOVOMATIC to interrupt or halt its business activities.

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

Risks due to possible changes in gaming laws or taxation policy in the countries in which the NOVOMATIC Group does business

The NOVOMATIC Group operates on the basis of currently prevailing political, economic, legal, and fiscal conditions. NOVOMATIC is subject to the risk of changes to legal and taxation-related framework conditions. Changes that have already been adopted, in particular in connection with the German State Treaty on Gaming, the German Gaming Ordinance, changes in administrative practices or even the possible additional prohibition of gaming machines or other restrictions in other jurisdictions, also have a sustained impact on NOVOMATIC AG's business activities. On an international level, for example, the increase in gaming taxes in Italy constitutes a risk to the NOVOMATIC Group. Finally, it cannot be ruled out that betting laws in certain jurisdictions may be tightened for the purpose of player protection.

Risks due to the dependence on national licenses, regulations on competition and statutory provisions regarding the operation of gaming and betting facilities as well as risks due to the dependence on production, sales and product licenses

In the countries where NOVOMATIC does business, the operation of gaming and betting facilities requires a license, concession or other type of permission from the authorities in charge. Such licenses/concessions are usually granted for a limited period of time or in the form of license agreements with limited duration. Should no option for prolongation be provided, or if an extension were only possible under economically unacceptable or untenable conditions or requirements, NOVOMATIC would need to participate in new tender procedures in order to recover such a license/concession.

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

Risks due to the possible tightening of regulatory measures

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

The NOVOMATIC Group is subject to risks related to intellectual property

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

NOVOMATIC is also subject to the risk that third-party components included in its own products might violate certain intellectual property rights. In such cases, NOVOMATIC could be obligated to either not use said intellectual property rights or to pay considerable licensing fees to third parties. NOVOMATIC is also subject to the risk that third parties might acquire patents or other intellectual property in order to initiate actions for damages, etc.

The gaming industry is characterized by rapid technological development, which forces the NOVOMATIC Group to continuously develop new products and enter new markets. The NOVOMATIC Group's success, therefore, depends on its ability to continuously enhance the development of its products and systems in order to integrate new technologies and expand into new markets created by new technologies. Should certain technologies be protected by intellectual property rights held by third-parties, including competitors, NOVOMATIC might not be able to offer certain products or expand into certain markets.

The NOVOMATIC Group is subject to the risk of being unable to sufficiently protect its customer data

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

Financial Risks and Usage of Financial Instruments

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

Extensive descriptions of the individual risks, including the methods used to hedge the risks mentioned above, are provided in the notes to the Consolidated Financial Statement.

7. Important Features of the Internal Control System Relevant to the Financial Reporting Process

Given its focus on the capital market, the NOVOMATIC Group prepares its Consolidated Financial Statement in accordance with IFRS.

Control Environment

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

In the area of Group accounting, the organizational structure consists of the local departments responsible for accounting within the individual Group companies, as well as NOVOMATIC AG's central accounting department. The Group companies prepare complete and correct individual financial statements according to IFRS on the respective company level, based on the uniform Group-wide accounting and valuation principles.

The main tasks and responsibilities of the Group accounting department are the analysis of the reported Group company data, the performance of consolidation measures and the corresponding preparation of financial reports. It is this department that is also responsible for the preparation of the consolidated financial statement.

Risk Assessment

In order to avoid material misstatements in the presentation of transactions, analyzes are conducted during the year to identify those risks in the ongoing accounting process that could have a material impact on the consolidated financial statements. Based on these risks relevant to the financial statements, appropriate controls are determined and their effectiveness is verified when preparing the consolidated financial statements.

Control Activities

To avoid material misstatements in the presentation of transactions, multilevel quality assurance measures have been implemented with the objective of ensuring that individual financial statements according to IFRS are recorded correctly for the purpose of consolidation. These measures include automated controls within the consolidation software as well as manual controls performed by employees of the subsidiaries, as well as by employees of the Group accounting department.

Based on the financial statements for the individual Group companies, Group accounting performs comprehensive plausibility and data quality checks on several levels. This aims at ensuring that the data reflecting the Group companies' transactions is properly recorded for the purpose of consolidation or preparation of the consolidated financial statement.

In addition to this, Group accounting enlists the support of external service providers for certain issues that require specialist knowledge, such as the evaluation of pension obligations and severance payments.

The Group's unified accounting and measurement methods are summarized in the Group manual. Amendments to the IFRS are continuously monitored by Group accounting and included in the Group manual on an annual basis. This update is followed by the publication of the manual's current annual version.

The Group companies prepare the individual financial statements mainly using Microsoft Dynamics NAV. Further ERP systems currently in use include proAlpha and SAP. The data is transmitted electronically in a standardized format and imported into the consolidation software (IDL Konsis) by Group Accounting. For the accounting-related IT systems, access privileges have been defined to ensure that sensitive data is protected from unauthorized access, use and modification.

Information and Communication

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

The Executive Board informs the Supervisory Board on a quarterly basis regarding the development of the corporate Group as a whole, as well as the development of the individual business areas.

Monitoring

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

As per the 2008 Austrian Company Law Amendment Act (URÄG), the Supervisory Board is also included in the control system via the auditing committee. The auditing committee's main responsibilities include monitoring the accounting process, monitoring the internal control and risk management system, monitoring the audit of the consolidated financial statement and critically appraising the audited consolidated financial statement as well as the Group management report.

During the reporting period, there were no branches of the NOVOMATIC Group registered in the commercial register.

8. Research and Development

Thanks to its numerous technology centers, the NOVOMATIC Group is a pioneer in the development of innovative products and system solutions in the area of gaming. The Group's development activities focus both on "Distributed Gaming Solutions" and on gaming content and application software. The developed software system solutions include management information systems, ticketing and smart card systems, access systems, video lottery systems, biometric player recognition, links to government regulators, player protection programs, "gaming as a service", online and mobile gaming system solutions, jackpot systems, multiplayer and community gaming systems, as well as tournament systems. Both the modular software architecture and the various developments' interoperability are crucially important.

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

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

Linked progressive jackpots further expand the range of games on offer, as can be seen very clearly from the example of "Enchanted Fortunes Linked Jackpot". NOVOMATIC is also represented in the branded games sector by licensing films such as From Dusk Till Dawn, Batman, Austin Powers and Sherlock Holmes, as well as series such as MacGyver.

The in-house development team is supported by exclusive international partnerships with external game studios.

The global importance of intellectual property protection is on the rise. With 4,780 registered IP trademarks and in excess of 100 registrations per year, special attention is paid to this area. The Group is constantly developing new products and product variations, resulting in over 200 new gaming variants per year. With the help of the software development kit (SDK), it is possible to add games developed by third parties (who use this SDK) to the portfolio immediately.

NOVOMATIC's innovative strength receives frequent public recognition in the form of awards.

9. Acknowledgments

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

Gumpoldskirchen, April 17, 2019

Harald Neumann
Chairman, CEO

Dr. Christian Widhalm
Deputy Chairman, CIO

Ryszard Presch
Chief Operations Officer

Thomas Graf
Chief Technology Officer

Peter Stein
Chief Financial Officer

Bartholomäus Czapkiewicz
Chief Systems Development Officer

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
EQUITY AND LIABILITIES			
Equity			
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

Consolidated Statement of Changes in Equity for Financial Year 2018

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

EUR m	Shares of shareholders of NOVOMATIC AG					Total	Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	IAS 39 Reserve	Currency translation adjustment			
Stand 01.01.2017	26,6	85,4	1.246,2	5,2	-52,4	1.311,0	65,3	1.376,2
1) Total comprehensive income								
Annual result	0.0	0.0	58.3	0.0	0.0	58.3	3.1	61.4
Other comprehensive income	0.0	0.0	0.2	18.0	-14.3	3.9	0.3	4.2
2) Dividend payments	0.0	0.0	-50.0	0.0	0.0	-50.0	-7.5	-57.5
3) Change in non-controlling interests	0.0	0.0	-10.0	0.0	0.0	-10.0	-6.4	-16.4
4) Change in the scope of consolidation	0.0	0.0	-1.5	0.0	0.0	-1.5	35.3	33.8
5) Obligation from written put options for non-controlling interests	0.0	0.0	-39.3	0.0	0.0	-39.3	0.0	-39.3
6) Combination of companies under common control	0.0	0.0	-34.8	0.0	0.0	-34.8	1.4	-33.4
As of 12/31/2017	26.6	85.4	1,169.0	23.3	-66.8	1,237.5	91.4	1,328.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

as of December 31, 2018

(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.

The NOVOMATIC Group is a globally operating, integrated gaming technology and entertainment company. The Group develops, manufactures and sells gaming products, lottery technologies and networked system solutions for domestic and international gaming and betting markets. The NOVOMATIC Group furthermore operates around 2,000 gaming facilities, which include casinos, slot arcades, sports betting outlets, and bingo facilities.

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

The NOVOMATIC Group is aware of its considerable social responsibility and pursues business activities only in markets with a clearly defined legal framework.

(2) Accounting Principles

The present consolidated financial statements as of December 31, 2018, were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). The requirements of Sec. 245a para 1 of the Austrian Commercial Code have likewise been fulfilled.

The fiscal year corresponds to the calendar year. The financial statements of every fully consolidated domestic or foreign companies included in the Consolidated Financial Statements for 2018 were prepared as of the balance sheet date of the consolidated financial statements. Consequently, a subgroup with a different regular balance sheet date has prepared interim financial statements for consolidation purposes as of the balance sheet date of the consolidated financial statements.

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

(3) Scope of Consolidation

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

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

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

The scope of consolidation has developed as follows:

Scope of consolidation	Fully consolidated	Valued at equity
As of 1/1/2018	233 ¹	3
First-time inclusion in 2018	12	1
Disposed of in 2018	-10	0
Merged in 2018	-9	0
As of 12/31/2018	226	4
thereof non-Austrian companies	209	3

¹ The inclusion of Casino Royal GmbH and its ten subsidiaries has now been changed from a former subgroup to individual companies.

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

During 2018, the following subsidiaries were included for the first time in the consolidated financial statements:

- Ainsworth Game Technology Ltd., Australia (subgroup)
- BRONCO Automaten Immobilien und Gaststätten GmbH, Germany
- Spielinsel Vermietungs GmbH, Germany
- NOVO Data Solutions GmbH & Co. KG, Germany
- Aloragaming S.L., Spain
- Novomatic Lottery Solutions Spain S.L., Spain
- Alea Leisure SRL, Romania
- Norebo SRL, Romania
- Novo Gaming M Technologies GmbH, Austria
- Novo Investment MLD S.R.L., Moldavia
- Las Vegas d.o.o., Croatia
- Otium Mexico S.A.P.I. de C.V., Mexico

(4) Accounting Policies

Standards and Interpretations to be Applied for the First Time in the 2018 Fiscal Year

The following new or revised standards and interpretations were adopted by EU legislation and implemented for the first time in the 2018 fiscal year:

Standard/Interpretation	
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers (including clarification)
IAS 40	Amendment: Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Miscellaneous	Annual Improvements to IFRS 2014–2016

The effects of IFRS 9 Financial Instruments and IFRS 15 Revenue from Customer Contracts are explained in more details below. The other amendments that took effect had no significant impact on the Consolidated Financial Statement.

IFRS 9 Financial Instruments

The new IFRS 9 “Financial Instruments” deals with the classification, recognition, measurement and derecognition of financial assets and liabilities. The new regulations are based on the business model and the contractual cash flows when it comes to classifying financial instruments. Similarly, the recognition of write-offs on financial assets has been reorganized to reflect the expected loss model. Furthermore, the regulations regarding hedge accounting were modified with the objective of allowing entities to better reflect risk management activities and to measure their effectiveness more easily. IFRS 9 also requires comprehensive new disclosures and changes in the presentation.

The NOVOMATIC Group applies the new provisions of IFRS 9 “Financial Instruments” for the classification and measurement of financial instruments retrospectively in the 2018 fiscal year. The cumulative adjustment amounts were recognized at the date of initial application and therefore no adjustment was made to the comparative information.

IFRS 9 provides for three main categories for the classification of financial instruments: at amortized cost, at fair value through equity in other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). For the vast majority of financial instruments, the new classification did not have a significant effect, as comparable principles were already applied in the initial recognition and subsequent measurement.

The following table shows the reconciliation of the categories and carrying amounts of financial instruments:

EUR m	Measurement category in accordance with IAS 39	Measurement category in accordance with IFRS 9	IAS 39 carrying amount as per December 31, 2017	IFRS 9 carrying amount as per January 1, 2018	Valuation adjustment in accordance with IFRS 9
Financial assets					
Investments in affiliated companies, non-consolidated	Available-for-sale financial assets (exception: at amortized cost)	At fair value through profit or loss	13.6	13.6	0.0
Investments – Other	Available-for-sale financial assets (exception: at amortized cost)	Fair value through equity in other comprehensive income	17.5	34.1	16.6
Investments – Financial investments	Available-for-sale financial assets	Fair value through equity in other comprehensive income	234.9	234.9	0.0
Securities – Equity instruments	Available-for-sale financial assets	Fair value through equity in other comprehensive income	11.4	11.4	0.0
Securities – Debt instruments	Available-for-sale financial assets	Fair value through equity in other comprehensive income	1.5	1.5	0.0
Securities – Investment funds	Available-for-sale financial assets	At fair value through profit or loss	0.1	0.1	0.0
Derivatives	Derivative	At fair value through profit or loss	0.0	0.0	0.0
Loans	Loans and receivables	At amortized cost	64.2	64.2	0.0
Trade payables and lease receivables	Loans and receivables	At amortized cost	252.6	252.6	0.0
Other	Loans and receivables	At amortized cost	90.3	90.3	0.0
Cash and cash equivalents	Loans and receivables	At amortized cost	899.7	899.7	0.0
Financial liabilities					
Bonds	Financial liabilities recognized at amortized cost	At amortized cost	939.2	939.2	0.0
Bank and leasing liabilities	Financial liabilities recognized at amortized cost	At amortized cost	943.4	943.4	0.0
Loans	Financial liabilities recognized at amortized cost	At amortized cost	5.4	5.4	0.0
Derivatives	Derivative	At fair value through profit or loss	6.6	6.6	0.0
Purchase price obligations – Contingent considerations	Financial liabilities at fair value	At fair value through profit or loss	3.0	3.0	0.0
Purchase price obligations – Written put options	Financial liabilities at fair value	At amortized cost ¹	57.4	57.4	0.0
Trade payables	Financial liabilities recognized at amortized cost	At amortized cost	110.2	110.2	0.0
Other liabilities	Financial liabilities recognized at amortized cost	At amortized cost	61.8	61.8	0.0

¹ The purchase price obligations from written put options, which are generally dependent on the future results of the subsidiaries, are measured on an ongoing basis.

Shares in non-consolidated companies were previously carried at cost, as there was an exception for the measurement of unlisted equity instruments. However, the new standard only permits measurement at fair value. The analysis showed that the fluctuation band between cost and fair value was not material and therefore there was no impact from the changeover.

The new regulations, on the other hand, had isolated effects on the accounting of (other) investments, some of which were previously recognized at cost and now have to be measured at fair value. This resulted in an increase in the financial assets balance sheet position of EUR 16.6 million with a corresponding increase in deferred tax liabilities of EUR 4.6 million. The Group has opted to classify these selected equity instruments, which under IFRS 9 would generally be measured in the income statement, as at fair value through other comprehensive income (FVTOCI). This will result in less volatility in the result, as in the future all valuation and

disposal connected to these equity instruments will be included in the other comprehensive income.

Securities continue to be carried at fair value. While equity instruments and debt instruments continue to be recognized in other comprehensive income (the former without recycling in the income statement and the latter with corresponding recycling), there are differences in the shares held in investment funds. These must now be measured at fair value through profit or loss, as the payments in connection with the funds are not solely made up of interest and principal payments.

Other financial assets (except for derivatives) continue to be measured at amortized cost because the payments in connection with these financial assets consist exclusively of interest and principal payments and are held to collect the contractual cash flows.

The new regulation regarding impairment relates in particular to trade receivables, loans, and bank and time deposits. In terms of trade receivables, the NOVOMATIC Group has followed the suggestion in IFRS 9.B5.5.35 and used a provision matrix as an application simplification to determine the required impairment losses, which will be based on historical failure rates, if necessary adjusted with future-oriented information, and subject to a relevant risk grouping. The new impairment logic does not result in any significant impairment amounts or deviations from the previous impairment losses.

The cash flow hedge existing as of December 31, 2017, was continued from January 1, 2018, in accordance with the transitional provisions.

IFRS 9 had no impact on the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue from Customer Contracts

The new IFRS 15 "Revenue from Contracts with Customers" regulates revenue recognition and combines the previous regulations and interpretations on revenue recognition in one standard. IFRS 15 replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

Pursuant to IFRS 15, revenues are to be recognized when the customer acquires the right to dispose of the agreed goods and services and may derive a benefit therefrom. The standard provides for a five-step model to recognize revenues. The first step is to identify the contract/contracts with customers and the independent performance obligations so as then to determine the transaction price and to divide up the contractual performance obligations. Revenues are recognized either on a time-related basis or at a specific point in time.

The NOVOMATIC Group recognizes revenues from the sale and rental of gaming machines, from the operation of casinos and electronic casinos, as well as from online gaming (e-business) and from betting. In areas concerned by revenue recognition, there has hitherto been an orientation towards industrial practice as well as US regulations regarding the gaming industry (such as the treatment of proceeds from the operation of gaming machines as a net amount from the use of customers and payout to them according to ASC 924). For the purposes of IFRS 15, retaining this approach was analyzed, with the result that in many areas, such as the operation of gaming halls or the betting business, a continuation of the previous accounting practice, is not inconsistent with IFRS 15. In this context, due to the similarity of the provisions of IFRS 15 with those of the US ASC 606, similarly, in-depth US guidance was used (e.g. the industry guidance of the AICPA for the gaming industry).

Revenues from the sale of gaming machines are recognized when the control over the promised goods or services passes to the customer. The form and scope of the contracts with customers depend on the respective jurisdiction. The following potential separate performance obligations were essentially identified: gaming machine, contractually agreed regular software updates, spare parts and other services (e.g. business analytics, reports). This does not lead to an effect on revenue recognition since the delimitation of performance obligations and the transfer of control are already in line with previous accounting practice. However, a change in presentation was required with regard to transport revenues. Generally speaking, the customer only gains control over the gaming devices when they physically own them. Accordingly, the transport services provided are attributable to the transaction price of the gaming machines, which results in a change in presentation from other operating income to revenues. For any additional costs arising from the initiation of a contract (e.g. sales commissions), the practical exception according to IFRS 15.94 is applied, as the amortization period is generally less than one year.

Revenue from the **rental** of gaming machines is recognized on a straight-line basis over the period in which the underlying services are rendered. Lease agreements with customers may have different characteristics, particularly with regard to the agreed payments (fixed rent or revenue sharing models). The following possible separate leasing and non-leasing components were identified: slot machines, contractually agreed regular software updates, maintenance/spare parts/other services and customer loyalty programs. Rental prepayments (up-front fees) are recognized as revenue on a straight-line basis over the term of the contract. Customer loyalty programs are deferred so that this portion is not recognized as revenue until the Group has fulfilled the obligation. There are no changes compared to the previous accounting method. A change in presentation was also required for transport revenues from rental transactions. Since the customer only gains control over the rented gaming machine when it is physically in their possession, the transport services provided are to be classified as income from the rental.

Revenues from the **operation of electronic gaming machines (arcades)** and **casinos with live gaming** are recognized as net gaming revenue. The net amount is calculated as the balance of amounts used by customers (IN) less payments to customers (OUT) less all incentives and accruals. In a few jurisdictions, the payout of a jackpot may have an obligatory framework; in such cases, a corresponding accrual (refund liability) is made. Other discretionary incentives (free food and drink) and non-discretionary incentives (customer loyalty programs) did not exist or existed only to an insignificant extent, meaning that they had no impact on the accounting method.

Revenue from **bets** is recognized when the underlying betting event has occurred. Revenue corresponds to the net amount from bets and payouts from the betting business. Amounts put down by players for events that have not yet occurred are recognized as a liability in the balance sheet.

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

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

The NOVOMATIC Group applies the new provisions of IFRS 15 for revenues from customer contracts for the first time in the 2018 fiscal year, with the cumulative adjustment amounts being recognized at the date of first-time application. The following table shows the effects of the application of IFRS 15 upon first-time application:

EUR m	Values adjusted for 1–12/2018	Adjustments	Values without applying IFRS 15 1–12/2018
Revenues	2,613.6	-10.2	2,603.4
Revenues less gaming taxes and betting fees	2,316.5	-10.2	2,306.2
Other operating income	76.2	10.2	86.4
Operating result	-131.9	0.0	-131.9
Annual result	-154.9		-154.9

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

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

Standard/Interpretation		Obligatory application for the fiscal years from
IAS 19	Amendment: Planned amendment, shortening, or compensation	January 1, 2019
IAS 28	Amendment: Non-current investments in associated companies and joint ventures	January 1, 2019
IFRS 9	Amendment: Prepayment Features with Negative Compensation	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
Miscellaneous	Annual Improvements to IFRS 2015–2017	January 1, 2019
Framework	Amendments: References to the Framework Concept in the IFRS Standards	January 1, 2020 ¹
IAS 1/IAS 8	Amendment: Definition of Materiality	January 1, 2020 ¹
IFRS 3	Amendment: Definition of a Business	January 1, 2020 ¹
IFRS 17	Insurance Contracts	January 1, 2021 ¹

¹ Not adopted by EU legislation so far

The introduction and implementation of the aforementioned standards and interpretations in the NOVOMATIC Group is intended from the time of mandatory application taking into account any potential exemptions. In addition, the regulations and possible effects of the new IFRS 16 Leases are discussed in more detail.

IFRS 16 Leases

NOVOMATIC will be required to apply IFRS 16 Leases for the first time as of January 1, 2019. The NOVOMATIC Group opted not to apply this standard earlier on a voluntary basis. IFRS 16 replaces the previous provisions of IAS 17 and the related interpretations; in particular, the accounting treatment of leases by the lessee has been newly regulated. The lessee now also recognizes a liability for future lease payments for each operating lease. At the same time, a right of use asset is capitalized at the present value of the future lease payments and subsequently depreciated on a straight-line basis.

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

The NOVOMATIC Group applies IFRS 16 retrospectively in a modified format and is therefore required to record any cumulative adjustment effect in equity at the time of first-time application on January 1, 2019. In this context, the approach chosen is to recognize the rights of use at the time of initial application in the amount of the respective lease liabilities. An adjustment is made by the amount of prepaid or deferred lease payments that are to be transferred to the right of use asset. Overall, there will therefore be no effect on the Group's equity upon first-time application. Within the framework of the balance sheet, both rights of use and leasing liabilities are included in separate balance sheet items due to the significance of leasing relationships for the NOVOMATIC Group; the latter are subdivided according to maturity.

The following practical simplifications are to be made use of upon first-time application:

- Application of a discount rate per portfolio of leases
- Leases with a remaining term of a maximum of 12 months from January 1, 2019, are treated as short-term leases
- Recourse to the provision assessment for onerous contracts instead of a separate impairment test in accordance with IAS 36

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

Expected Effects of Adoption of IFRS 16

The NOVOMATIC Group currently operates around 2,000¹ gaming facilities (including slot arcades, casinos, sports betting outlets and bingo halls), most of which are rented from third parties. This is the area where the most significant effect will emerge. Other properties, gaming devices, equipment and vehicles are also rented.

A very large number of contracts are affected by IFRS 16 and significant estimates must be made in accounting for the leases. The most relevant estimate relates to the definition of the lease term, as IFRS 16 also requires options to be considered within the term of a lease where it is assumed with reasonable certainty that an extension option will be exercised or a termination option not exercised. Given the legal requirements associated with the operation of gaming facilities, which regularly require a license, the license term is a key parameter when estimating the term.

The most significant effects will result from the increase in the balance sheet total given the fact that rights of use and lease liabilities for the above-mentioned leases are recorded. Furthermore, the type of expenses associated with these leases will also change, as IFRS 16 replaces the straight-line expenses for operating leases within the meaning of IAS 17 with a depreciation expense for rights of use and interest expenses for lease liabilities.

NOVOMATIC assumes that, on the basis of the current detail analysis, rights of use in the amount of EUR 788 million and leasing liabilities in the amount of EUR 794 million will be recognized. These include rights of use and lease liabilities of EUR 56 million which each must be accounted for in accordance with IFRS 5. There will also be a reclassification requirement in the balance sheet for existing finance leases in accordance with IAS 17, which will, however, be immaterial.

Following the resulting increase in total assets, the equity ratio is expected to decline by 5.4 percent (from 33.1 percent to 27.8 percent) at the time of first-time application.

Based on the actual estimate, it is expected that the rental expenses of the NOVOMATIC Group will decrease by approximately EUR 140 million in 2019 within the profit and loss statement and that, in contrast, scheduled depreciation will increase by EUR 125 million (including the effects that must be presented separately in accordance with IFRS 5) and interest expenses will increase by EUR 23 million. EBIT should, therefore, increase by EUR 15 million. Furthermore, EBITDA is expected to increase by circa EUR 140 million.

In accordance with IAS 17, all lease payments for operating leases were presented through cash flow from operating activities. The application of IFRS 16 is expected to increase cash flow from operating activities by around EUR 140 million in 2019 and reduce cash flow from financing activities by the same amount, as both the repayment component and the interest component of the lease payment will be reported in cash flow from financing activities in the future.

No material impacts are expected from the existing leases in which the NOVOMATIC Group acts as lessor, as the criteria of IAS 17 for assessing whether a finance or operating lease exists are essentially continued in IFRS 16.

Basis of Consolidation

First-time consolidation of acquired companies is carried out according to the purchase method at the date of acquisition. The consideration transferred in the case of a business combination is measured at its fair value, which is an aggregate of the fair values of the assets acquired and liabilities taken over from the former owner of the acquired company at the date of acquisition in exchange for control of the company. The contingent consideration is treated as part of the transferred consideration and is measured at its fair value at the date of acquisition. If the business combination is achieved in stages, the previously held interest

¹ Excluding "discontinued operations".

in the acquired entity is revalued at the fair value prevailing at the acquisition date and the resulting profit or loss is recognized in the Consolidated Profit and Loss Account. Additional acquisition costs are directly recognized as an expense.

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

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

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

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

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

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

Foreign Currency Translation

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

Foreign fully consolidated subsidiaries are considered as independent companies because they are financially, economically and organizationally independent. Their functional currencies are usually the respective national currencies. Apart from the equity items, all balance sheet items are translated into the reporting currency at the exchange rate prevailing on December 31, 2018. Income and expense items of foreign consolidated companies are translated at average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income. Upon the elimination of a foreign company from the consolidation scope, the exchange difference is recognized in profit or loss.

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

Equivalent amount = EUR 1	Exchange rate prevailing at the balance sheet date			Average exchange rate for the year
	12/31/2018	12/31/2017	2018	2017
Australian dollar	1.6260	–	1.5807	–
British pound	0.8986	0.8888	0.8849	0.8761
Croatian kuna	7.4100	7.4437	7.4180	7.4637
Macedonian dinar	61.5880	61.6390	61.5632	61.5875
Peruvian new sol	3.8704	3.8827	3.8813	3.6817
Romanian leu	4.6542	4.6683	4.6537	4.5686
US dollar	1.1451	1.2021	1.1815	1.1294

Intangible Assets and Goodwill

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

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

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

In the case of business combinations, any excess of the consideration transferred over the fair values of the identifiable net assets acquired is shown as goodwill and allocated to cash-generating units for the purpose of an impairment test. The allocation to cash-generating units or groups of cash-generating units is carried out on the identified business segments that are expected to profit from it. The carrying amount of the goodwill is subject to an impairment test annually as of September 30 (exception: AINSWORTH as of December 31), or if there is any indication of impairment. The carrying amount is compared to the recoverable amount for the cash-generating unit to which it is allocated. Any impairment loss is immediately charged against income and is not reversed in any later period.

The estimated useful lives for intangible assets and goodwill are:

	Useful life in years	
	from	to
Goodwill		indefinite
Development and software	3	10
Patents and trademarks	3	20 or indefinite
Licenses	5	20 or indefinite
Customer relationships	3	20
Other intangible assets	3	10

Property, plant and equipment

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

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

	Useful life in years	
	from	to
Buildings	20	50
Investments in rented property	10	20
Machines	3	10
Gaming machines	3	7
Equipment	3	10

Investment property

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

Leases

Agreements by which all risks and rewards of ownership related to the use of the assets transferred to the Group are classified as finance leases. Assets held as finance leases are recognized initially at their fair value or, if lower, at the present value of the minimum lease payments, and are written off over their estimated useful life or over the shorter term of the leasing contract, if applicable. The capitalized assets are shown on the balance sheet along with the present value of the liability from all lease payments outstanding at the balance sheet date.

For agreements where the Group is lessor, the amounts payable by the lessee based on finance lease relationships are shown as receivables amounting to the net investment in the lease of the Group.

All other leases are qualified as operating leases. Rentals are shown as an expense or income.

Inventories

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

Other Assets

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

Assets and Disposal Groups Held for Sale

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

Financial Instruments

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

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

- Financial Asset Recognized at Amortized Cost
- Financial Asset at Fair Value through Other Comprehensive Income (FVTOCI)
- Financial Asset at Fair Value through Profit or Loss (FVTPL)
- Financial liabilities recognized at amortized cost
- Financial Liabilities Measured at Fair Value through Profit or Loss

Financial Asset Recognized at Amortized Cost

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

Financial Asset at Fair Value through Other Comprehensive Income

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

Financial Asset at Fair Value through Profit or Loss

Equity derivatives (except when the FVTOCI option is exercised) as well as investment funds are measured at fair value through profit or loss.

Financial liabilities recognized at amortized cost

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

Financial Liabilities Measured at Fair Value through Profit or Loss

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

Recognition and Derecognition

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

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

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

Provisions

Provisions for pensions or similar obligations, as well as provisions for severance and jubilee payments, are measured according to the regulations of IAS 19 using the projected unit credit method. The costs of the estimated benefit entitlements are allocated over

the whole period of employment. Future increases in remuneration are taken into account. Actuarial gains and losses concerning provisions for severance payments and pensions are recognized in other comprehensive income or charged against income when it comes to jubilee payments. Past service costs are recognized as an expense at the time of plan adjustment. Provisions correspond to the present value of the obligations (DBO). The accrued amounts are based on the expert opinion of qualified actuaries as of the respective balance sheet date.

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

Contingent Liabilities

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

Revenue and Expense Recognition

The Group recognizes revenues from the sale and rental of gaming machines, from the operation of gaming halls and electronic gaming machine casinos, as well as from online gaming and from betting. The rules applied to the recognition of revenue from these customer contracts in accordance with IFRS 15 were explained in more detail in the previous sections.

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

Financial result

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

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

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

Taxes

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

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

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

Important average tax rates used by Group companies are:

Country	2018 tax rate	2017 tax rate
Australia	30 %	–
Germany	12.22 % – 57.20 %	15.825 % – 57.2 %
United Kingdom	17 % and 19 %	17 % – 19.25 %
Italy	24 % – 27.9 %	24 % – 27.9 %
Croatia	12 % – 18 %	18 %
Latvia	0 % and 20 %	15 %
Malta	5 % and 35 %	35 %
Macedonia	10 %	10 %
Netherlands	25 %	25 %
Austria	25 %	25 %
Peru	29.5 %	29.5 %
Romania	16 %	16 %
Spain	25 %	25 %
United States	26 %	26 % – 40 %

Fair Value Measurement

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

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

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

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

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

Estimates and Judgments

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

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

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

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

Assumptions are necessary for estimating the useful life of property, plant and equipment, and intangible assets.

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

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

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

Concerning receivables, allowances are made based on assumptions about the probability of default according to the model of expected credit losses.

Additionally, the preparation of financial statements requires that assumptions be made about future developments. Concerning social capital obligations, assumptions are made on the employees' retirement age, life expectancy, future pension and salary increases as well as employees' turnover.

A provision for anticipated losses will be created for existing contracts in which it is expected that the total contract cost will exceed the total contract revenue. As part of the determination process, several assumptions need to be made regarding the future development of earnings (in particular with regard to the cost structure).

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

When assessing the right of use to be applied in the future (right-of-use asset) and the associated lease liability, significant estimates were made as lessee. For more details, please refer to the previous explanation on IFRS 16.

Changes in Recognition

Due to the application of the classification, presentation and measurement requirements of IFRS 5 to the concerned business area in the 2018 Consolidated Financial Statement, the comparative figures in the income statement for the previous period were restated. Further explanations are provided in note (8.15).

(5) Company Acquisitions in 2018

Ainsworth Game Technology Limited, Australia

Following the closing on January 5, 2018, around 52 percent of the shares in Ainsworth Game Technology Ltd. (Ainsworth) was acquired. Ainsworth's shares are listed on the ASX Australian Securities Exchange. Ainsworth has a strong presence in North and Latin America as well as Australia.

The agreed purchase price is AUD 473.3 million. A cash flow hedge was made for the majority of the purchase price. The total consideration – taking into account the hedging effects – amounts to approximately EUR 320.3 million for the acquisition of these shares and around EUR 1.0 million for the previously existing shares.

The consolidated Ainsworth companies have been included on the basis of final fair values for the acquired assets and assumed liabilities. Trademark rights, technology and customer base were identified and evaluated on a provisional basis when accounting for the acquisition. The market presence is largely under the "Ainsworth" umbrella brand, which is largely associated with product quality and innovative developments. The intensive R&D activities result in new cabinets, games and platforms, which are collectively subsumed under technology and lead to the final product: gaming machines. The existing customer relationships were examined and evaluated according to regional clusters. In addition, fair value adjustments were made for real estate, rented gaming machines, and inventories.

The purchase price allocation in accordance with IFRS 3 has now been finalized, meaning that the fair values at the acquisition date are as follows:

EUR m	Fair values
Intangible assets	234.5
Property, plant and equipment	102.6
Other non-current assets	27.6
Deferred tax assets	3.1
Inventories	68.1
Cash and cash equivalents	18.7
Other current assets	87.3
Non-current liabilities and provisions	-44.7
Deferred tax liabilities	-73.1
Current liabilities and provisions	-29.1
Net assets	395.2
Non-controlling interests	-188.9
Goodwill	115.1
Consideration	321.4

The legal fees for this acquisition amounted to EUR 1.0 million. Revenue amounts to EUR 167.1 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR -113.9 million.

The goodwill resulting from the acquisition reflects the expected strategic advantages for the Group. None of the goodwill resulting from this acquisition is tax-deductible.

Following an evaluation of the long-term earnings prospects, in particular due to performance issues in Australia, impairment losses of EUR 264.3 million were recognized at the end of 2018. Further details can be found under Note (7.3).

Other Company Acquisitions

The German group company Novo Data Solutions GmbH & Co KG took over Casinonet Software at the end of December 2017 through an acquisition process with subsequent restructuring, meaning that the final group share is 75 percent. The business activity consists of the networking of gaming machines.

In January 2018, 100 percent of the shares in BRONCO Automaten Immobilien und Gaststätten GmbH and its subsidiary Spielinsel Vermietungs GmbH in Germany were acquired. These two acquired companies operate a total of two slot arcades as well as establishments in restaurants and cafés with a focus on Baden-Württemberg. This acquisition was carried out to enhance the Group's presence as an operator within the German gaming market.

In addition, smaller acquisitions were made in Spain, Romania, Croatia, Italy, the Netherlands and United Kingdom, primarily in the area of slot arcade operators.

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

EUR m	Fair values
Intangible assets	9.2
Property, plant and equipment	2.5
Other non-current assets	0.1
Cash and cash equivalents	1.6
Other current assets	1.9
Non-current liabilities and provisions	-0.3
Deferred tax liabilities	-1.2
Current liabilities and provisions	-4.2
Net assets	9.7
Goodwill	13.7
Consideration	23.4

The consideration of EUR 23.4 million (EUR 4.6 million in the previous year) has already been paid entirely in cash and cash equivalents. Goodwill resulting from the acquisitions reflects expected strategic advantages for the Group due to the further expansion of operational business activities and further potential growth through synergies. None of the goodwill resulting from these acquisitions is tax-deductible.

Revenue amounts to EUR 8.8 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR 0.9 million.

Further Comments on the Acquisitions

The disclosures of revenues and results or losses of the acquired companies under the assumption that the acquisition date for all business combinations is the beginning of the reporting period was omitted, because the significant acquisitions of subsidiaries took place at the beginning of the year.

(6) Company Sales in 2018

I-NEW Group

The final sale of the 76.8 percent shares in I-NEW Unified Mobile Solutions AG and its subsidiaries (jointly I-NEW Group), which were already classified as held for sale, is presented in note (8.15).

Other Company Sales

Other company sales included the 92.5 percent stake in Extreme Live Gaming Ltd, a UK live casino company, in June 2018 and the 100 percent stake in Stakelogic B.V., a Dutch online company, in August 2018. The respective carrying amounts of the assets and liabilities at the respective time of the sale are as follows:

EUR m	Carrying amounts
Intangible assets	4.9
Property, plant and equipment	0.6
Other non-current assets	0.3
Cash and cash equivalents	0.2
Other current assets	1.4
Current liabilities and provisions	-0.5
Currency difference	0.1
Net assets sold	6.8

From the other comprehensive income, EUR 0.5 million resulting from the currency translation was reclassified to the Group profit and loss account. The consideration received amounts to EUR 11.0 million (of which EUR 8.5 million to be paid in cash and cash equivalents) for the reporting period. In the NOVOMATIC Consolidated Financial Statement, the sale of the shares in both companies resulted in a loss on disposal of EUR -0.5 million (reported under other operating expenses) and a gain on disposal of EUR 3.2 million (reported under other operating income) for 2018.

(7) Notes to the Consolidated Balance Sheet

(7.1) Intangible Assets EUR m

Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Development and software	Other intangible assets	Total
As of 1/1/2017	229.9	55.2	488.9	109.0	153.0	79.9	1,115.8
Currency translation adjustments	-2.0	-2.0	-5.0	-1.8	-0.7	0.0	-11.6
Acquisitions through business combinations	101.9	0.7	165.2	2.1	8.7	2.7	281.3
Additions	0.0	0.1	6.0	0.0	17.1	6.4	29.5
Disposals	-1.9	-0.2	-8.5	0.0	-5.5	-2.2	-18.3
Assets held for sale	-4.4	0.0	-0.2	-4.5	-8.6	-9.1	-26.7
Reclassifications	0.1	0.0	-1.6	0.0	7.9	-6.2	0.3
As of 12/31/2017	323.7	53.8	644.8	104.8	171.7	71.5	1,370.3
Acquisition costs	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Development and software	Other intangible assets	Total
As of 1/1/2018	323.7	53.8	644.8	104.8	171.7	71.5	1,370.3
Currency translation adjustments	-6.8	-2.9	-0.2	-5.2	-8.1	0.0	-23.3
Acquisitions through business combinations	128.8	44.4	5.8	76.6	131.6	0.1	387.3
Additions	0.0	0.1	7.4	0.0	15.1	9.9	32.4
Disposals	-0.2	-0.3	-5.2	0.0	-16.5	-4.2	-26.4
Assets held for sale	-14.8	-4.8	-5.1	-24.5	-9.6	-1.4	-60.2
Reclassifications	0.0	0.1	0.6	0.0	2.4	-2.0	1.0
As of 12/31/2018	430.7	90.3	648.0	151.8	286.5	73.7	1,681.0
Cumulative depreciation and amortization	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Development and software	Other intangible assets	Total
As of 1/1/2017	42.5	15.9	141.3	37.1	110.2	46.5	393.5
Currency translation adjustments	0.0	-0.2	0.0	-1.0	-0.5	-0.1	-1.8
Acquisitions through business combinations	0.0	0.0	0.9	0.0	5.4	0.4	6.8
Additions	0.1	4.8	43.6	9.7	22.3	5.2	85.6
Impairment	10.6	0.1	14.8	8.1	2.2	7.2	43.0
Disposals	-1.3	-0.1	-5.1	0.0	-2.9	-1.2	-10.6
Assets held for sale	-4.4	0.0	-0.2	-4.5	-3.5	-8.6	-21.1
Reclassifications	0.0	0.0	-1.1	0.0	0.3	0.7	0.0
Impairment reversals	0.0	0.0	-6.3	0.0	0.0	0.0	-6.3
As of 12/31/2017	47.4	20.6	188.0	49.4	133.4	50.2	488.9
Cumulative depreciation and amortization	Goodwill	Trademarks and patents	Licenses and concessions	Customer relationships	Development and software	Other intangible assets	Total
As of 1/1/2018	47.4	20.6	188.0	49.4	133.4	50.2	488.9
Currency translation adjustments	0.0	-0.8	0.9	-2.5	-3.4	0.0	-5.8
Acquisitions through business combinations	0.0	0.3	0.0	1.7	12.7	0.0	14.7
Additions	0.0	3.6	43.6	12.8	30.3	3.7	94.0
Impairment	117.7	28.8	22.6	42.7	68.8	0.2	281.0
Disposals	0.0	-0.3	-4.9	0.0	-11.5	-2.5	-19.3
Assets held for sale	-1.4	-1.5	-5.1	-7.7	-6.4	-1.0	-23.0
Reclassifications	0.0	0.0	0.1	0.0	0.7	-0.1	0.7
Impairment reversals	0.0	0.0	-3.7	0.0	0.0	-1.0	-4.7
As of 12/31/2018	163.8	50.7	241.4	96.4	224.8	49.5	826.5
Carrying amounts as of 12/31/2017	276.3	33.2	456.9	55.4	38.3	21.3	881.4
Carrying amounts as of 12/31/2018	266.9	39.6	406.5	55.4	61.7	24.3	854.5

Goodwill

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

EUR m	12/31/2018	12/31/2017
Gaming Operations – Germany	71.8	67.7
Gaming Operations – United Kingdom	25.4	25.5
Gaming Operations – Italy	37.3	34.1
Gaming Operations – Netherlands	10.5	10.1
Gaming Operations – Online	11.5	10.3
Gaming Operations – Spain	29.2	28.4 ¹
Gaming Operations – Spain casinos	0.0	4.5
Gaming Technology – United Kingdom	3.9	13.5
Gaming Technology – Italy	43.6	43.6
Gaming Technology – Online	4.6	10.1
Gaming Technology – Spain	7.9	7.9 ¹
Gaming Technology – Germany	5.9	1.9
Other	15.4	18.8
Total	266.9	276.3

¹ Adjustment of prior-year figures in accordance with IAS 8 due to change in segment allocation

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

Intangible Assets with Indefinite Useful Lives

Intangible assets include licenses amounting to EUR 195.1 million (previous year: EUR 188.9 million) as well as trademarks totaling EUR 16.6 million (previous year: EUR 2.2 million) with indefinite useful lives. The licenses and trademarks are allocated to the following groups of cash-generating units. Single values below EUR 4.0 million are summarized under "Other".

Licenses EUR m	12/31/2018	12/31/2017
Gaming Operations – Latvia	18.7	18.7
Gaming Operations – Spain	48.8	45.2
Gaming Operations – United Kingdom	123.9	124.8
Other	3.8	0.2
Total	195.1	188.9

Trademarks EUR m	12/31/2018	12/31/2017
Gaming Technology – Ainsworth	14.4	0.0
Other	2.2	2.2
Total	16.6	2.2

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

Impairments and Reversals of Impairments

Details concerning impairment tests for intangible assets may be found under note (7.3).

Research and Development Expenses

Internally generated intangible assets are only capitalized if the criteria stipulated by IAS 38.57 are fulfilled. Development costs that cannot be capitalized of EUR 118.3 million (previous year: EUR 115.0 million) were recognized through profit and loss under "Personnel costs", "Other operating expenses" and "Amortization and depreciation of intangible assets and property, plant and equipment".

(7.2) Property, Plant and Equipment EUR m

Acquisition costs	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2017	710.5	1,068.3	454.2	29.6	2,262.6
Currency translation adjustments	-2.7	-9.9	-3.0	0.1	-15.5
Acquisitions through business combinations	42.4	22.1	33.3	0.4	98.2
Additions	50.5	176.5	80.6	104.0	411.6
Disposals	-21.9	-268.3	-43.2	-1.6	-335.0
Assets held for sale	-2.6	-2.5	-1.2	0.0	-6.2
Reclassifications	11.1	5.0	2.7	-19.1	-0.3
As of 12/31/2017	787.4	991.2	523.5	113.3	2,415.4

Acquisition costs	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2018	787.4	991.2	523.5	113.3	2,415.4
Currency translation adjustments	0.2	-0.5	-1.2	0.0	-1.5
Acquisitions through business combinations	46.4	75.8	20.5	1.0	143.8
Additions	50.7	271.2	76.0	111.6	509.5
Disposals	-22.4	-243.1	-51.4	-11.4	-328.3
Assets held for sale	-33.1	-99.7	-38.7	-1.4	-172.9
Reclassifications	15.3	146.0	-7.7	-154.9	-1.2
As of 12/31/2018	844.6	1,141.1	520.9	58.1	2,564.7

Cumulative depreciation and amortization	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2017	345.3	659.5	298.0	6.5	1,309.3
Currency translation adjustments	-1.2	-5.3	-2.1	0.0	-8.6
Acquisitions through business combinations	32.4	11.6	24.6	0.0	68.6
Additions	35.7	154.0	57.0	0.0	246.6
Impairment	9.1	8.8	6.7	0.4	25.2
Disposals	-11.1	-220.8	-30.0	0.0	-261.9
Assets held for sale	-0.4	-1.3	-0.9	0.0	-2.5
Reclassifications	0.0	0.3	0.1	-0.4	0.0
Impairment reversals	-2.0	-0.3	-0.7	0.0	-3.0
As of 12/31/2017	407.9	606.5	352.9	6.5	1,373.7
Cumulative depreciation and amortization	Land and buildings	Plant and machinery	Factory and office equipment	Prepayments and property under construction	Total
As of 1/1/2018	407.9	606.5	352.9	6.5	1,373.7
Currency translation adjustments	-0.4	-0.6	-1.0	0.0	-2.0
Acquisitions through business combinations	3.3	20.3	13.3	0.0	36.9
Additions	36.6	177.1	54.7	0.0	268.4
Impairment	17.5	34.5	5.3	29.4	86.7
Disposals	-17.2	-193.6	-34.6	0.0	-245.5
Assets held for sale	-9.9	-60.7	-23.6	0.0	-94.2
Reclassifications	9.3	-3.8	-6.4	0.1	-0.7
Impairment reversals	-3.8	-2.2	-1.3	-0.1	-7.6
As of 12/31/2018	443.3	577.5	359.3	35.8	1,415.9
Carrying amounts as of 12/31/2017	379.5	384.7	170.7	106.8	1,041.7
Carrying amounts as of 12/31/2018	401.3	563.6	161.6	22.3	1,148.8

Plant and machinery contains slot machines with a carrying amount of EUR 548.0 million (previous year: EUR 365.5) for the Group's own operations and rental.

In order to collateralize loans, liens were registered on property, plant and equipment (particularly property) in the amount of EUR 0.6 million (previous year: EUR 1.0 million).

Impairments and Reversals of Impairments

Details concerning impairment tests for property, plant and equipment may be found under note (7.3).

(7.3) Impairments and Reversals of Impairments

7.3.1 Calculation Model and Principles

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

Cash flows occurring after this five-year detailed planning period are calculated with a growth rate of 0.00 percent to 1.80 percent and, finally, on the basis of a perpetual annuity without a growth rate. The discount rates used for the cash flow forecasts are post-tax interest rates when calculating the fair value less costs to sell and pre-tax interest rates when calculating the value-in-use, taking respective country-specific risks into consideration.

The recognized recoverable amounts of the (groups of) cash-generating units therefore correspond to Level 3 of the valuation hierarchy.

Groups of cash-generating units	Recoverable amount	Discount rate	Pre-tax/post-tax interest rate
Gaming Operations – Germany	Value-in-use	12.25 %	Pre-tax interest rate
Gaming Operations – United Kingdom	Value-in-use	10.88 %	Pre-tax interest rate
Gaming Operations – Italy	Value-in-use	15.87 %	Pre-tax interest rate
Gaming Operations – the Netherlands	Value-in-use	11.48 %	Pre-tax interest rate
Gaming Operations – Online	Value-in-use	12.27 %	Pre-tax interest rate
Gaming Operations – Spain	Value-in-use	13.81 %	Pre-tax interest rate
Gaming Operations – Spain casino	Value-in-use	13.29 %	Pre-tax interest rate
Gaming Technology – United Kingdom	Value-in-use	10.62 %	Pre-tax interest rate
Gaming Technology – Italy	Value-in-use	16.35 %	Pre-tax interest rate
Gaming Technology – Online	Value-in-use	12.16 %	Pre-tax interest rate
Gaming Technology – Spain	Value-in-use	12.30 %	Pre-tax interest rate
Gaming Technology – Germany	Value-in-use	11.85 %	Pre-tax interest rate
Gaming Technology – Ainsworth	Value-in-use	10.86 % to 18.09 %	Pre-tax interest rate
Other	Fair value* and value-in-use	7.94 % to 12.68 %	Post-tax interest rate and pre-tax interest rate

* Fair value less costs to sell

7.3.2 Goodwill and Intangible Assets with Indefinite Useful Lives

The comparison of carrying amounts with the recoverable amounts for the (groups of) cash-generating units that was undertaken as part of the annual impairment test for goodwill and intangible assets with indefinite useful lives, which was carried out on September 30, 2018, resulted in an impairment in the amount of EUR 10.0 million (previous year: EUR 3.8 million) as regulatory changes will have a negative impact on future business activities. The underlying cash flow forecasts are based on the financial plans approved by the company management (detailed budget for the following fiscal year and the derived forecasts for the subsequent four years).

The impairments made relate to the (group of) cash-generating units Gaming Technology – Online and amount to EUR 4.2 million. This includes all companies of the Greentube Group. The impairment is entirely attributable to the capitalized goodwill.

- The capital costs considered in the model (WACC before tax) are 12.16 percent.
- The growth rate considered in the model is 0.00 to 1.80 percent per annum.

In the Gaming Operations – Spain Casinos segment, an impairment loss of EUR 4.5 million was recognized on goodwill. The knowledge gained in the course of the sales process also underscores the devaluation requirement.

- The capital costs considered in the model (WACC before tax) are 13.29 percent.
- The growth rate considered in the model is 0.00 to 1.80 percent per annum.

An impairment loss of EUR 0.8 million was recognized for the Gaming Operations – Albanian Lotteries segment. On the basis of current jurisprudence, no slot arcades may be operated since January 1, 2019. Given the great uncertainty regarding the continuation of operating activities, a corresponding impairment of goodwill was made at Group level.

In the Gaming Operations – Online segment, impairment losses of EUR 0.5 million were recognized for trademark rights as there is no further use for the brand.

Goodwill and intangible assets with indefinite useful lives resulting from acquisitions or the occurrence of a triggering event after September 30, 2018 were tested as of December 31, 2018. This resulted in a devaluation requirement of EUR 0.6 million. The impairment relates to intangible assets with indefinite useful lives of the (groups of) cash-generating unit Gaming Operations – Spain in the amount of EUR 0.6 million.

In addition, the impairment test for the (group of) cash-generating units Gaming Technology – Ainsworth was performed for the first time on December 31, 2018. This resulted in impairment losses of EUR 108.3 million on goodwill and EUR 27.8 million on trademark rights.

- The capital costs considered in the model (WACC before tax) are 10.86 percent to 18.09 percent.
- The growth rate considered in the model is 1.80 percent per annum.

For the (group of) cash-generating units Gaming Operations – Serbia, the recoverable amount (fair value) exceeded the carrying amount by EUR 10.7 million. If the discount rate were to increase to 17.21 percent, the exceeding amount would be consumed.

7.3.3 (Other) Intangible Assets and Property, Plant and Equipment

The impairment test resulted in impairments of (other) intangible assets and property, plant and equipment amounting to EUR 220.3 million (previous year: EUR 51.9 million) and impairment reversals of EUR 10.7 million (previous year: EUR 9.7 million). The write-downs made (with an individual value of over EUR 4.0 million) relate to the following (group of) cash-generating units: Gaming Technology – Ainsworth with EUR 128.2 million, Gaming Technology – Germany with EUR 39.4 million (previous year: EUR 3.0 million), Gaming Operations – Germany with EUR 19.2 million (previous year: EUR 21.7 million), Gaming Operations – Macedonia casinos with EUR 10.6 million (previous year: EUR 0.0 million), Gaming Operations – Spanish casinos with EUR 6.0 million (previous year: EUR 3.0 million), Gaming Operations – Albanian Lotteries with EUR 4.2 million (previous year: EUR 0.0 million), Gaming Technology – Lottery with EUR 0.2 million (previous year: EUR 6.7 million) and Gaming Technology – Spain with EUR 0.0 million (previous year: EUR 5.5 million). Impairment reversals (with an individual value of more than EUR 4.0 million) relate to the (group of) cash-generating units: Gaming Operations – Germany with EUR 4.9 million (previous year: EUR 7.2 million).

The following takes a closer look at selected core markets.

Gaming Operations / Technology – Germany

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

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

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

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

The focus of the German Group company LÖWEN ENTERTAINMENT GmbH in the Gaming Technology segment is on the area of gaming machine rental. In light of the stricter regulatory framework, however, the number of rented gaming machines decreased during the reporting period by around 17,200 gaming terminals to some 84,800 units (on the balance sheet date). In total, the German companies active in the Gaming Technology segment achieved revenues of EUR 282.5 million against EUR 285.7 million in 2017. Due to the fact that the device change took place on November 11, loss of revenues can only be expected in the following year.

The impairment test for assets in the Gaming Technology segment resulted in write-downs of EUR 39.4 million and impairment reversals of EUR 0.7 million. Since the conversion of gaming machines had to be fully completed by November 11, 2018, a correspondingly high inventory of new equipment, old equipment, new components and old components was recognized as at December 31, 2018. The assessment of these stocks was based on whether the existing quantities could be used in the future, also bearing in mind that the entire private gaming market is shrinking as a result of the State Treaty Amending the Gaming Act. Write-downs were made when the inventories were assumed unusable.

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

- The capital costs considered in the model (WACC before tax) are 11.85 percent.
- The growth rate considered in the model is 1.80 percent per annum.

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

Due to the conversion to the new technical guideline 5.0 (TR 5.0), which became necessary as a result of the amended Gaming Ordinance, there has been a considerable decline in revenues since the conversion date (November 11, 2018), which experience has

shown can be traced back to a temporary familiarization phase for guests. Despite the decrease in revenues described above, revenues during the reporting period could reach EUR 356.6 million, which was at about the same level as last year (EUR 356.4 million).

As in previous years, impairment tests were carried out in 2018 for the assets of the German operating companies. The scope of the impairment test included all slot arcades run by the operating companies active in the area of commercial machine gaming. Locations with final permit approval were included in the impairment test on this basis. Scenarios for site and concession closures were in the foreground for all other locations, with the impact assessment on the gaming facilities taking into account the experience gained in the application process.

In addition to the regular impairment test, the significant decline in revenues from the conversion of machines on November 11, led to a new impairment test on December 31, 2018. In total, the required impairment loss amounted to EUR 19.2 million (previous year: EUR 21.7 million). The largest share of this relates to the impairment of the rights of use of the gaming arcades (disclosed under "Licenses" within the intangible assets), as well as an impairment of property, plant and equipment (in particular land and buildings, as well as fixtures, furnishings, and office equipment). The reevaluation led to the conclusion that a reversal of impairment was required for certain gaming facilities, as the assessment regarding the impact on the individual locations in question had changed. In total, the required impairment reversal amounted to EUR 4.9 million (previous year: EUR 7.2 million).

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

- The capital costs considered in the model (WACC before tax) are 12.25 percent.
- The growth rate considered in the model is 1.80 percent per annum.

Impairments (less impairment reversals) of a cumulative EUR 85.0 million (previous year: EUR 70.6 million) were made over the past few years on non-current assets in the Gaming Operations segment. The carrying amount of the intangible assets and property, plant and equipment, amounts to EUR 169.8 million (previous year: EUR 190.8 million) as of the balance sheet date. Of the stated carrying amount, EUR 24.8 million is attributable to locations without final permit approval as of December 31, 2018.

Gaming Technology – AINSWORTH

Ainsworth Game Technology Ltd. is a publicly traded Australian company with headquarters in Newington, Sydney. The Australian Group's main business is the production and sale of gaming devices in its core markets of Australia and Others (North America and Latin America). In the 2018 fiscal year, revenues of EUR 160.2 million were generated as part of this business activity. In the core and home market of Australia, fewer units were sold in 2018 than expected. This is mainly due to the strong supply of competing products. In addition, new products can only be placed in the market after a delay due to delayed official approvals.

The financial planning for a planning period of five years prepared and approved by Ainsworth Game Technology Ltd. was used as the basis for the impairment test. The current business development was taken into account when preparing the financial plan. Since the acquisition of Ainsworth Game Technology Ltd. in the course of the 2018 fiscal year, the earnings situation in key core markets has not developed in line with expectations. Already communicated profit warnings, as well as the current stock market price development, underline the current developments. As of December 31, 2018, the share price was AUD 0.795 per share. Compared to the share price at the time of the acquisition, this represents a decline of 62.9 percent.

Following an evaluation of the long-term earnings prospects, in particular due to performance issues in Australia, impairment losses of EUR 264.3 million were recognized at the end of 2018.

Initially, the goodwill of EUR 108.3 million was written down in its entirety. The remaining impairment requirement of EUR 156.0 million was allocated pro rata to the other non-current assets affected. Accordingly, trademark rights were written down by EUR 27.8 million, customer relationships allocated to the individual regions by EUR 42.5 million, technology by EUR 67.5 million and gaming machines by EUR 18.2 million.

(7.4) Investment property

EUR m	12/31/2018	12/31/2017
Balance as of 01/01	21.5	21.1
Currency translation adjustments	-0.3	-0.2
Additions	0.1	0.9
Assets held for sale	-3.6	0.0
Reclassifications	-1.2	0.0
Depreciation and amortization	-0.8	-0.8
Impairment	-1.0	0.0
Impairment reversals	0.0	0.5
Balance as of 12/31	14.7	21.5

Investment property denotes land and buildings held but not used in business operations. Gross carrying amounts come to EUR 30.1 million (previous year: EUR 36.4 million) as well as cumulative depreciation to EUR 15.4 million (previous year: EUR 14.9 million). For the determination of the fair value, external valuation reports from independent regional experts were generally obtained every three years. Given that the underlying assumptions have not materially changed, the reports were not updated. The fair value (fair value hierarchy – level 3) amounts to a total of EUR 14.7 million (previous year: EUR 24.6 million).

Both income and expenditures from investment property were insignificant.

(7.5) Investments in associated companies

EUR m	12/31/2018	12/31/2017
Balance as of 01/01	1.4	0.2
Additions	0.2	1.0
Share of post-acquisition profits	-1.4	0.2
Changes in the scope of consolidation	2.8	0.0
Balance as of 12/31	2.9	1.4

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

EUR m	12/31/2018	12/31/2017
Assets	19.6	19.5
Liabilities	14.9	12.8
Revenues	10.2	6.4
Results	0.3	0.5

(7.6) Financial assets

EUR m	12/31/2018	12/31/2017
Investments in affiliated companies, non-consolidated	5.8	13.6
Securities	4.2	5.2
Other investments	315.9	252.4
Total	326.0	271.2

The NOVOMATIC Group indirectly holds an 11.56 percent interest in Österreichische Lotterien Gesellschaft mbH (ÖLG) and directly holds 17.19 percent in Casinos Austria Aktiengesellschaft (CASAG). These two financial investments are recognized under other investments with a fair value of a total of EUR 284.3 million (previous year: 234.9 million), as no significant influence may be exerted over the two companies. Details concerning the calculation of the fair values can be found under the notes to the financial instruments.

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

(7.7) Taxes

Current taxes:

EUR m	12/31/2018	12/31/2017
Current tax receivables	52.5	31.4
Current tax liabilities	43.2	71.7

Deferred taxes:

EUR m	12/31/2018	12/31/2017
Deferred tax assets	121.2	98.6
Deferred tax liabilities	-140.6	-131.9
Total	-19.5	-33.3

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

EUR m	12/31/2018	12/31/2017
Intangible assets	-90.5	-96.1
Property, plant and equipment	48.3	33.7
Financial assets	-28.6	-7.9
Other non-current assets	-3.2	-3.1
Inventories	15.5	13.7
Current financial assets	0.5	-0.2
Trade and other receivables	7.8	2.0
Non-current financial liabilities	0.7	0.3
Other non-current liabilities	0.1	0.9
Non-current provisions	9.1	8.7
Current financial liabilities	0.0	0.1
Current provisions	-0.8	-0.7
Trade payables and other liabilities	10.3	10.8
Tax loss carryforward	11.2	4.6
Total	-19.5	-33.3

Income tax charged directly to equity:

Mio. EUR	31.12.2018	31.12.2017
Revaluation of available-for-sale financial instruments	0.0	-12.2
Revaluation of financial assets	-27.9	0.0
Revaluation of the net defined benefit liability	3.8	3.5

Deferred taxes are both non-current at EUR -52.8 million (previous year: EUR -58.9 million) and current at EUR 33.4 million (previous year: EUR 25.6 million).

Pursuant to IAS 12, deferred tax assets on existing loss carryforwards were capitalized in the amount of EUR 11.2 million (previous year: EUR 4.6 million) as these can be offset against future taxable profits. Tax assets are netted with tax liabilities if they concern the same tax authority, and if the right and intention to offset exist.

In 2018, subsidiaries that incurred losses in the current year or the years before carried forward tax losses in the amount of EUR 355.0 million (previous year: EUR 375.7 million) that can no longer be utilized. Of the deferred taxes not recognized and amounting to EUR 87.2 million (previous year: EUR 91.2 million) for taxable losses, EUR 0.2 million will expire in 2019 (previous year: EUR 0.0 million in 2018) and EUR 86.9 million in the years after 2020 (previous year: EUR 91.2 million in the years after 2019).

No deferred tax liabilities were carried for temporary differences between the pro rata IFRS equity and the taxable carrying amount of subsidiaries amounting to EUR 133.9 million (previous year: EUR 968.5 million), as the Group is able to control when the temporary differences are reversed and will probably not reverse the temporary differences in the foreseeable future.

(7.8) Other non-current assets

EUR m	12/31/2018	12/31/2017
Loans	16.4	47.0
Receivables from finance lease	16.6	15.5
Purchase price receivables	8.3	14.3
Deposits with gaming authorities	20.8	21.1
Miscellaneous other non-current assets	20.3	32.5
Trade receivables	25.6	0.1
Total	108.1	130.4

The trade receivables amounting to EUR 25.6 million (previous year: EUR 0.1 million) relate to sales transactions with long-term payment terms. The gross carrying amounts of EUR 27.3 million were reduced by impairments of EUR -1.7 million; this corresponds to an expected loss ratio of 6.1 percent.

(7.9) Inventories

EUR m	12/31/2018	12/31/2017
Raw materials and supplies	131.4	135.6
Work in progress	21.4	28.6
Finished goods and trade goods	138.0	102.9
Prepayments	3.7	1.1
Total	294.5	268.1

The inventory total includes inventory write-downs amounting to EUR 81.8 million (previous year: EUR 72.3 million).

(7.10) Trade receivables, other receivables and assets

EUR m	12/31/2018	12/31/2017
Trade receivables	274.3	224.7
Receivables from non-consolidated affiliated companies	6.1	3.7
Contract assets	6.0	0.0
Prepaid expenses	33.5	44.3
Purchase price receivables	9.6	27.8
Precious metals	54.2	52.1
Other tax receivables, excluding income taxes	12.2	13.6
Other current receivables and assets	41.8	42.5
Total	437.7	408.7

The age structure of the trade receivables including value adjustments is as follows:

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

The trade receivables shown above include impairment charges amounting to EUR -38.3 million (previous year: EUR -36,3 million). The impairment expenses for the reporting period are recognized as other operating expenses in the profit and loss account.

Receivables from non-consolidated affiliated companies contain trade receivables of EUR 3.6 million (previous year: EUR 3.2 million).

Precious metals with a carrying amount of EUR 54.2 million (previous year: EUR 52.1 million) are measured through profit and loss at the current market value (fair value hierarchy – level 2). The change in value of EUR 2.1 million (previous year: EUR -0.8 million) resulting from the revaluation of the precious metals is reported under other operating expenses.

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

(7.11) Current financial assets

EUR m	12/31/2018	12/31/2017
Securities	3.5	11.4
Loans	16.8	2.9
Receivables from finance lease	10.8	8.8
Derivatives	0.4	0.0
Other current financial assets	2.1	2.3
Total	33.5	25.4

(7.12) Cash and cash equivalents

EUR m	12/31/2018	12/31/2017
Cash	160.1	171.3
Bank balances	378.4	728.4
Total	538.5	899.7

The stated cash in the amount of EUR 160.1 million (previous year: EUR 171.3 million) served as cash reserves and base filling of the gaming machines at the various gaming establishments.

Bank balances comprised foreign currencies of AUD 463.8 million (equivalent to EUR 301.4 million) in the previous year, which were earmarked for the acquisition of around 52 percent of shares in Ainsworth Game Technology Ltd. (Australia) shares in January 2018.

(7.13) Share capital

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

(7.14) Capital reserves

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

(7.15) Retained earnings

The retained earnings consist of the Group's consolidated profit for the year and of the accumulated profits from previous periods. Retained earnings also include the revaluation of the net defined benefit liability with EUR -10.4 million (previous year: EUR -9.6 million). The change of EUR -0.7 million (previous year: EUR 0.4 million) is reported under other comprehensive income.

A distribution of EUR 22.0 million is planned from the balance sheet profit of NOVOMATIC AG according to UGB (Austrian Commercial Code).

(7.16) Revaluation reserve

The revaluation reserve includes the revaluation of the financial assets (FVTOCI) with EUR 82.2 million (previous year: remeasurement of available-for-sale financial instruments with EUR 35.8 million). The change of EUR 34.4 million (previous year: EUR 30.6 million) is reported under other comprehensive income.

The result from cash flow hedges, which in the previous year was shown under revaluation reserves at EUR -12.5 million, has now been offset against the underlying company acquisition.

(7.17) Currency translation adjustment

Upon consolidation, differences from the translation of foreign subsidiaries at the exchange rates prevailing on the balance sheet date are transferred to this position. For the 2018 fiscal year, changes in the currency translation adjustment amount to EUR -23.2 million (previous year: EUR -14.3 million) in other comprehensive income. The final consolidation led to a reclassification of EUR 0.1 million (previous year: EUR 2.2 million) from other comprehensive income to the income statement.

(7.18) Non-controlling interests

Non-controlling interests consist of the interests in equity of consolidated subsidiaries held by other shareholders. The portion allocable to the non-controlling interests from change of foreign currency translation adjustments in the amount of EUR -6.2 million (previous year: EUR 0.3 million) is stated in other comprehensive income.

Subsidiaries with non-controlling interests:

EUR m	12/31/2018	12/31/2017	31.12.2017			
	Non-controlling interests (%)	Profit/loss attributable to non-controlling interests	Accumulated non-controlling interest	Non-controlling interests (%)	Profit/loss attributable to non-controlling interests	Accumulated non-controlling interest
Gaming Technology						
Ainsworth Game Technology Limited, Australia	47 %	-53.7	125.5			
Electro System S.p.A., Italy				25 %	0.0	4.6
GiGames S.L., Spain				20 %	-0.8	6.5
Gaming Operations						
Admiralu Klubs SIA, Latvia	40 %	3.3	25.6	40 %	4.2	22.3
Alfor SIA, Latvia	40 %	8.7	19.3	40 %	6.2	17.8
Automáticos Surmatic S.L., Spain	40 %	0.0	5.1	40 %	0.1	5.7
Basque Gaming S.L., Spain	49 %	2.1	27.6	49 %	2.3	25.5
Marginal non-controlling interest		-4.6	9.1		-8.9	9.0
		-44.1	212.1		3.1	91.4

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

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

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

EUR m	12/31/2017					
	Electro System S.p.A., Italy	GiGames S.L., Spain	Admiralu Klubs SIA, Latvia	Alfor SIA, Latvia	Automáticos Surmatic S.L., Spain	Basque Gaming S.L., Spain
Balance sheet						
Non-current assets	16.8	8.8	44.2	27.0	16.6	60.5
Current assets	8.6	32.5	13.0	24.8	2.4	3.4
Non-current liabilities	5.3	4.4	0.0	2.4	3.2	9.8
Current liabilities	1.7	13.4	1.5	5.0	1.4	2.2
Profit and loss account						
Revenues	5.8	25.5	26.8	77.0	10.6	10.7
Annual result	0.2	-4.1	10.4	15.5	0.2	4.7
Dividends paid to non-controlling interest	1.0	0.0	1.2	4.8	0.5	0.0
Cash flow						
from operating activities	-0.1 ¹	-1.4 ¹	9.5 ¹	20.3 ¹	2.4 ¹	6.9 ¹
from investing activities	-0.1	1.0 ¹	-5.0 ¹	-3.2	-1.4 ¹	-7.8 ¹
from financing activities	-4.1 ¹	1.2 ¹	-3.0 ¹	-12.0 ¹	-1.3 ¹	0.0
Net change in cash and cash equivalents	-4.4 ¹	0.7 ¹	1.5 ¹	5.1 ¹	-0.3 ¹	-0.9 ¹

¹ Adjustment of prior-year figures in accordance with IAS 8

During the 2018 fiscal year, the Group increased its share of ownership in some subsidiaries.

(7.19) Non-current financial liabilities

EUR m	12/31/2018	12/31/2017
Bonds	694.5	939.2
Bank loans	867.9	878.1
Obligations under finance leases	1.5	2.0
Other non-current financial liabilities	11.6	9.7
Total	1,575.5	1,829.0

NOVOMATIC AG issued bonds with the following terms and conditions:

	EUR 250 m	EUR 200 m	EUR 500 m
Nominal value	EUR 250 m	EUR 200 m	EUR 500 m
Term	2013–2019	2014–2021	2016–2023
Denomination	EUR 500.–	EUR 500.–	EUR 500.–
Nominal interest rate	4.00 % p.a.	3.00 % p.a.	1.625 % p.a.
Coupon	01/28 every year	06/23 every year	09/20 every year
Redemption	1/28/2019 bullet	6/23/2021 bullet	9/20/2023 bullet
Closing price 12/31/2018	EUR 100.221	EUR 105.054	EUR 100.258
ISIN	AT0000A0XSN7	AT0000A182L5	AT0000A1LHT0

The bonds are listed on the second regulated market at the Vienna Stock Exchange. The pro-rata carrying amount of repurchased own bonds with a nominal value of EUR 4.0 million (previous year: EUR 4.0 million) is deducted from the bond liabilities.

The fair value of bonds amounts to EUR 957.9 million (previous year: EUR 989.3 million), of which EUR 711.4 million (previous year: EUR 989.3 million) for the non-current portion and EUR 246.5 million (previous year: EUR 0.0 million) for the current portion.

The fair value of bank loans amounts to EUR 871.0 million (previous year: EUR 880.5 million). Bank loans with a term of between one and five years amount to EUR 719.0 million (previous year: EUR 804.8 million) and to EUR 149.0 million (previous year: EUR 73.1 million) with a term of over five years.

The weighted average interest rate comes to 1.83 percent (previous year: 2.39 percent).

(7.20) Non-current provisions

EUR m	12/31/2018	12/31/2017
Provision for severance payments	33.9	30.2
Provision for pensions	19.7	19.0
Provision for jubilee payments	7.5	6.4
Other non-current provisions	34.6	28.1
Total	95.7	83.8

Provision for severance payments

Due to legal or collectively agreed obligations, employees in Austria and Italy are entitled to receive severance payments upon termination of employment or upon reaching normal retirement age. Such entitlements depend on their years of service and final compensation levels. For the future liabilities, provisions are generated according to actuarial principles. The provision for pensions was calculated in accordance with IAS 19 (projected unit credit method) using an interest rate of 1.57 percent to 1.97 percent (previous year: 1.30 percent to 1.89 percent) and assuming a pay increase from 1.0 percent to 2.5 percent (previous year: 1.0 percent to 2.5 percent). The estimated retirement age refers to the earliest possible retirement age according to local legislation. Discounts due to fluctuations or other factors are not taken into account.

Expenses for severance payments recognized as personnel costs:

EUR m	12/31/2018	12/31/2017
Current service cost	5.3	4.8
Interest cost	0.7	1.0
Expense for the year	6.0	5.8

Provision for severance payments shown on the balance sheet:

EUR m	12/31/2018	12/31/2017
Balance as of 01/01	30.2	26.2
Amounts recognized in the profit and loss account		
Current service cost (+)	5.3	4.8
Interest cost (+)	0.7	1.0
Remeasurement of the period (other comprehensive income)		
Actuarial gains/losses from the change in demographic assumptions	1.3	1.0
Actuarial gains/losses from the change in financial assumptions	-1.0	-0.5
Payments (-)	-2.6	-2.7
Change in the consolidation scope	0.0	0.4
Present value of obligations as of 12/31	33.9	30.2

Sensitivity analysis for severance payments:

EUR m	Change of the parameter	Change in the present value of obligation
		12/31/2018
Discount rate	0.5 %	-1.3
Discount rate	-0.5 %	0.7
Salary increase	0.5 %	0.7
Salary increase	-0.5 %	-1.3

As of December 31, 2018, the average maturity of severance obligations is 10 to 13 years (previous year: 10 to 14 years), depending on the country. Payments in the amount of EUR 6.1 million (previous year: EUR 5.8 million) are expected for the next fiscal year.

Provision for pensions

Due to individual agreements, some Group companies are obligated to accord a pension allowance to Executive Board members and employees beginning with the date of their retirement. The amounts of such entitlements depend on years of service and final compensation levels. Measurement was made pursuant to IAS 19 using the projected unit credit method with an interest rate of 1.95 percent to 1.97 percent (previous year: 1.89 percent to 1.95 percent) and a value adjustment of 1.75 percent to 3.0 percent (previous year: 2.0 percent to 3.0 percent).

Expenses for pensions recognized as personnel cost:

EUR m	12/31/2018	12/31/2017
Current service cost	0.1	0.4
Interest cost	0.3	0.3
Expense for the year	0.4	0.7

Provision for pensions shown on the balance sheet:

EUR m	12/31/2018	12/31/2017
Balance as of 01/01	19.0	19.9
Amounts recognized in the profit and loss account		
Current service cost (+)	0.1	0.4
Interest cost (+)	0.3	0.3
Remeasurement of the period (other comprehensive income)		
Actuarial gains/losses from the change in financial assumptions	0.8	-1.1
Payments (-)	-0.5	-0.5
Present value of obligations as of 12/31	19.7	19.0

Sensitivity analysis for pensions:

	Change of the parameter	Change in the present value of obligation
EUR m		12/31/2018
Discount rate	0.5 %	-1.7
Discount rate	-0.5 %	1.5
Pension increase	0.5 %	1.5
Pension increase	-0.5 %	-1.3

As of December 31, 2018, the average maturity of pension obligations is between 1 and 13 years (previous year: between 2 and 14 years), depending on the country. Payments in the amount of EUR 0.5 million (previous year: EUR 0.5 million) are expected for the next fiscal year.

Provision for jubilee payments

After a long period of service with the company, employees are entitled to jubilee payments arising from collective agreements. The amount of these obligations was calculated under the assumptions of a discount rate of 1.73 percent to 1.97 percent (previous year: 1.55 percent to 1.95 percent) and a pay increase of 1.75 percent to 2.5 percent (previous year: 1.75 percent to 2.50 percent). A fluctuation discount based on an internal statistic concerning withdrawals of the previous three years and considering probable individual continuance in the company until the jubilee payment is due was taken into account.

Expenses for jubilee payments recognized as personnel cost:

EUR m	12/31/2018	12/31/2017
Current service cost	1.2	1.2
Interest cost	0.1	0.1
Past service cost	0.0	-0.1
Net actuarial gains/losses	0.1	-0.9
Expense for the year	1.4	0.3

Provision for jubilee payments shown on the balance sheet:

EUR m	12/31/2018	12/31/2017
Balance as of 01/01	6.4	6.2
Amounts recognized in the profit and loss account		
Current service cost (+)	1.2	1.2
Interest cost (+)	0.1	0.1
Past service cost	0.0	-0.1
Net actuarial gains/losses	0.1	-0.9
Payments (-)	-0.4	-0.3
Change in the consolidation scope	0.0	0.2
Present value of obligations as of 12/31	7.4	6.4

Other non-current provisions

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

EUR m	12/31/2018	12/31/2017
Balance as of 01/01	28.1	13.8
Currency translation adjustments	-0.3	-0.2
Changes in the scope of consolidation	0.4	2.6
Utilization	-6.2	-1.7
Release	-6.7	-3.2
Allocation	19.2	16.7
Compounding	0.2	0.1
Balance of provisions as of 12/31	34.6	28.1

(7.21) Other non-current liabilities

EUR m	12/31/2018	12/31/2017
Deferred income	0.4	0.5
Other non-current liabilities	5.1	5.3
Purchase price obligations	12.1	47.7
Total	17.6	53.5

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

(7.22) Current financial liabilities

EUR m	12/31/2018	12/31/2017
Bond	246.0	0.0
Current bank liabilities	37.9	62.7
Obligations under finance leases (current portion)	0.9	0.5
Current financial liabilities	2.8	2.2
Derivatives	0.8	6.6
Total	288.3	72.0

(7.23) Current provisions

EUR m	Other provisions for personnel	Warranties	Obligations for legal issues	Other current provisions	Total
As of 12/31/2017	16.4	4.0	6.1	56.4	82.8
Currency translation adjustments	-0.1	0.0	0.0	-0.2	-0.4
Changes in the scope of consolidation	0.2	0.6	0.0	0.2	0.9
Utilization	-14.7	-0.5	-0.8	-32.8	-48.8
Release	-1.3	0.0	-0.1	-11.6	-12.9
Allocation	16.7	1.2	6.5	25.6	50.0
Liabilities held for sale	-0.8	-0.7	-1.0	-3.2	-5.7
As of 12/31/2018	16.4	4.4	10.7	34.4	65.9

Other current provisions consist mainly of provisions for anticipated losses from orders and for sites.

(7.24) Trade payables and other liabilities

EUR m	12/31/2018	12/31/2017
Trade payables	91.1	109.5
Payables to non-consolidated affiliated companies	9.4	0.7
Advance payments received	0.0	9.1
Contract liabilities	15.8	0.0
Reimbursement liability	2.4	0.0
Deferred income	49.3	42.7
Liabilities to employees	56.7	51.6
Other liabilities from social security obligations	14.8	13.8
Other tax liabilities, excluding income taxes	118.3	120.9
Purchase price obligations	48.0	23.0
Other current liabilities	55.4	58.5
Total	461.1	429.8

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

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

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

(8) Notes to the Profit and Loss Account

The profit and loss account was prepared applying the total cost method.

(8.1) Revenues

EUR m	2018	2017
Sales revenues	388.1	207.7 ¹
Income from slot machines	1,264.4	1,190.8 ¹
Live game	49.1	44.1
Income from rent and management services	519.4	498.0 ¹
Betting revenues	156.0	139.3 ¹
eBusiness income	161.0	190.8 ¹
Income from food and beverage	44.2	39.9 ¹
Other sales	85.9	67.9 ¹
Sales reductions	-54.5	-12.3 ¹
Total	2,613.6	2,366.1

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

Revenues are recognized at EUR 2,094.2 million from customer contracts and EUR 519.4 million from other sources – rental income

Revenues result from the settlement of performance obligations of EUR 2,067.1 million at a certain point in time and EUR 546.5 million over a period of time. Revenues realized at a point in time are distributed as follows: EUR 455.8 million to the "Gaming Technology" segment and EUR 1,611.3 million to the "Gaming Operations" segment. Revenues realized over a period of time include EUR 512.3 million in the "Gaming Technology" segment, EUR 33.6 million in the "Gaming Operations" segment and EUR 0.6 million in the "Other" segment.

(8.2) Gaming taxes and betting fees

EUR m	2018	2017
Gaming taxes	-274.7	-258.6 ¹
Betting fees	-22.4	-15.7
Total	-297.1	-274.3

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

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

EUR m	2018	2017
Changes in inventories of finished goods and work in progress	19.6	5.6 ¹
Own work capitalized	279.8	218.6 ¹
Total	299.4	224.1

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

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

(8.4) Other operating income

EUR m	2018	2017
Income from the disposal of intangible assets and property, plant and equipment	15.1	18.9 ¹
Foreign exchange gains	11.7	7.6 ¹
Sale from companies	4.4	46.9
Other operating income	45.0	57.3 ¹
Total	76.2	130.6

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

The income from sale of companies is due to the sale of fully consolidated subsidiaries during the respective reporting period, as well as earn-out settlements from prior disposals.

Other operating income includes, in particular, proceeds from troncs, insurance, appreciation of precious metals, charter services, charges and other ancillary revenues.

(8.5) Cost of material and other purchased services

EUR m	2018	2017
Cost of material	-480.5	-319.9 ¹
Purchased services	-16.1	-10.9 ¹
Total	-496.6	-330.9

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

(8.6) Personnel costs

EUR m	2018	2017
Wages and salaries	-619.1	-561.6 ¹
Expenses for severance payments	-10.7	-10.7 ¹
Expenses for pensions	-4.0	-3.7 ¹
Cost of statutory social security, payroll-related taxes and mandatory contributions	-129.4	-116.9 ¹
Other social expenses	-13.4	-12.6 ¹
Total	-776.6	-705.5

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

Expenses for severance payments include EUR 2.3 million (previous year: EUR 2.1 million) and expenses for pensions include EUR 0.9 million (previous year: EUR 0.7 million) for defined contribution plans.

The increase in personnel costs is mainly due to an increase in the number of employees. The average number of employees developed as follows:

	2018	2017
Salaried employees	8,394	8,224
Workers	15,101	14,603
Total	23,495	22,827

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

EUR m	2018	2017
Scheduled depreciation/amortization	-331.3	-297.3 ¹
Impairment	-367.0	-53.8 ¹
Reversal of impairment	10.7	9.7
Total	-687.6	-341.4

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

The breakdown of the depreciation/amortization for the year according to the individual asset classes is shown in notes (7.1), (7.2) and (7.3).

Impairments of EUR 311.1 million (previous year: EUR 21.9 million) relate to the "Gaming Technology" segment, EUR 54.7 million (previous year: EUR 31.1 million) to the "Gaming Operations" segment and EUR 1.3 million (previous year: EUR 0.8 million) to the "Other" segment. Reversal of impairment of EUR 0.8 million (previous year: EUR 0.2 million) relate to the "Gaming Technology" segment, EUR 10.0 million (previous year: EUR 9.0 million) to the "Gaming Operations" segment and EUR 0.0 million (previous year: EUR 0.5 million) to the "Other" segment.

(8.8) Other operating expenses

EUR m	2018	2017
Other taxes, fees and charges	-81.3	-80.0 ¹
Maintenance	-52.0	-51.1 ¹
Energy costs	-38.3	-35.5 ¹
Telephone, communications	-17.6	-16.7 ¹
Rental expense for real estate	-155.1	-142.2 ¹
Rental expense for slot machines	-18.3	-17.7
Rental expense for other assets	-7.9	-8.3 ¹
Insurance costs	-6.1	-6.4 ¹
Vehicle fleet operation costs	-15.7	-13.8 ¹
Legal, audit and consulting costs	-43.8	-45.6 ¹
Other services received	-48.9	-42.6 ¹
Advertising costs	-122.8	-111.0 ¹
Traveling costs	-17.9	-16.7 ¹
Development costs	-18.1	-14.8 ¹
License costs	-17.9	-14.4 ¹
Commissions	-18.2	-17.5 ¹
Partners' shares	-25.1	-23.2
Bad debt and valuation adjustment	-14.0	-14.0 ¹
Loss from the disposal of property, plant and equipment	-6.1	-5.8 ¹
Provision for losses from orders	-0.5	-24.1
Security costs	-21.5	-20.4 ¹
Foreign exchange losses	-8.5	-27.0 ¹
Disposal from companies	-0.5	-0.8
Other expenses	-135.0	-106.3 ¹
Use/release of provisions	27.8	7.6 ¹
Total	-863.2	-848.3

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

The rental expenses for real estate, slot machines and other assets were incurred through operating lease agreements. Further details are provided in note (12).

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

(8.9) Interest income

EUR m	2018	2017
Interest income	6.0	8.1
Interest income from finance lease receivables	4.6	1.4 ¹
Total	10.6	9.5

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

(8.10) Other financial income

EUR m	2018	2017
Income from the disposal of financial assets	0.5	6.6
Dividends from other investments	10.9	15.6
Fair value valuation of interest rate swaps	0.1	0.2
Other financial income	1.7	9.0
Total	13.1	31.4

Financial investments generated dividends amounting to EUR 5.2 million (previous year: EUR 6.5 million). Other investment income of around EUR 5.7 million (previous year: EUR 9.1 million) results from other investments.

(8.11) Interest expenses

EUR m	2018	2017
Interest expenses	-12.1	-10.0
Interest expenses on bonds	-24.7	-30.8
Total	-36.8	-40.8

(8.12) Other financial expenses

EUR m	2018	2017
Losses from the disposal of financial assets	-0.2	-1.1
Impairment of financial assets, loans and securities	-10.4	-3.3
Other financial expenses	-12.0	-10.1
Total	-22.6	-14.5

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

Foreign currency effects resulting from intra-group financing are stated separately in this item because of their close connection to financing activities. Currency exchange gains/losses from intra-group financing amount to EUR 7.9 million (previous year EUR -7.4 million).

(8.14) Tax expenses

EUR m	2018	2017
Current income tax expense	-75.6	-100.5 ¹
Current income tax relating to other periods	8.8	-21.2 ¹
Deferred tax income/expense	99.2	20.1 ¹
Total	32.5	-101.6

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

The reconciliation of the income tax burden applying the Austrian corporation tax rate of 25 percent (previous year: 25 percent) on the effective tax rate for the 2018 fiscal year is as follows:

EUR m	2018	2017
Earnings before taxes	-159.5	198.9¹
Computed income tax expense of 25 percent (previous year: 25 percent)	43.3	-47.0¹
Adjustment of the computed income tax expense		
Adjustment for differing foreign tax rates	11.9	0.4 ¹
Effects of non-taxable income	5.4	8.2 ¹
Effects of non-deductible expenses	-45.5	-9.5 ¹
Effects of tax advantages	1.2	3.4
Actual income tax relating to other periods	8.4	-20.6
Effects of change in income tax rate on deferred taxes	1.0	4.3
Effects of initially not recognized and unused tax losses and possible offsets on the actual tax expense	4.2	6.4
Effects of initially not recognized and unused tax losses and possible offsets on the deferred tax expense	9.4	1.2
Effects of adjustments or of the reversal of a previous adjustment of a deferred tax asset	-0.8	-5.6
Effects of unused tax losses and possible offsets not recognized as deferred taxes	-9.4	-38.5 ¹
Withholding tax	-0.8	2.5 ¹
Other	4.3	-6.8 ¹
Effective tax expense	32.5	-101.6
Effective tax rate in %	20.4 %	51.1 %

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

Income taxes included in the other comprehensive income:

EUR m	2018	2017
Revaluation of available-for-sale financial instruments	0.0	-10.2
Revaluation of financial assets (FVTOCI)	-11.1	0.0
Revaluation of the net defined benefit liability	0.3	-0.1

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

The classification, presentation and measurement requirements according to IFRS 5 were applied to the following business segments. Accordingly, the assets and liabilities were reported separately in the balance sheet and the result from the discontinued operation in the income statement.

I-NEW Group

The I-New Group is a global provider of combined BSS (Business Support Systems) and OSS (Operating Support Systems) technologies used for mobile virtual network operators (MVNOs) as well as mobile network operators (MNOs). In November 2017, a structured sales process was launched, which was completed in July 2018 with the successful sale of the shares. The disposal resulted in a deconsolidation loss of EUR 4.9 million for the Group.

The assets or liabilities, earnings and cash flows from this discontinued operation are as follows:

EUR m	2018	2017
Intangible assets	0.0	5.6
Property, plant and equipment	0.0	3.7
Financial assets	0.0	0.2
Deferred tax assets	0.0	0.4
Other non-current assets	0.0	1.6
Non-current assets	0.0	11.5
Trade receivables and other receivables	0.0	7.0
Tax receivables	0.0	0.9
Cash and cash equivalents	0.0	0.9
Current assets	0.0	8.9
Non-current assets and disposal groups held for sale	0.0	20.4
Non-current financial liabilities	0.0	3.7
Other non-current liabilities	0.0	0.2
Non-current liabilities	0.0	3.9
Current financial liabilities	0.0	7.3
Current provisions	0.0	0.3
Trade payables and other liabilities	0.0	4.7
Current liabilities	0.0	12.3
Liabilities directly related to non-current assets and disposal groups held for sale	0.0	16.2
EUR m	2018	2017
Revenues	6.2	12.9
Other income	0.7	0.7
Current depreciation	0.0	-14.4
Expenses	-6.4	-22.7
Financial expense	-0.1	-0.2
Tax expenses	-0.2	-1.2
Final consolidation	-4.9	0.0
Result from discontinued operations	-4.7	-24.8
EUR m	2018	2017
Cash flow from operating activities	2.3	-5.2
Cash flow from investing activities	0.0	-3.2
Cash flow from financing activities	0.0	5.9
Cash flow from discontinued operations	2.3	-2.4

Croatia

In the fourth quarter of 2018, the management decided to sell companies in Croatia. Their business activities include, especially, operation of many gaming halls and betting outlets, four live casinos and one hotel. In recent years, business in this region has been burdened by high market entry costs in the local casino and sports betting segment, the implementation of innovations in operational gaming operations (e.g. biometric access systems) and rising administrative costs. The consequence was a sustained decline in earnings profitability since 2015, leading to negative EBIT in 2017 and 2018. On the basis of this development and

strategic considerations, it was decided to sell this geographical business segment. The purchase price agreed with the acquirer was based on the result of an external valuation report and amounts to EUR 39.0 million, which resulted in a write-down requirement of EUR 15.9 million as of December 31, 2018. The closing of the sale took place in March 2019.

The assets or liabilities, earnings and cash flows from this discontinued operation are as follows:

EUR m	2018	
Intangible assets		0.6
Property, plant and equipment		26.8
Deferred tax assets		0.8
Other non-current assets		0.1
Non-current assets		28.3
Inventories		2.6
Trade receivables and other receivables		8.5
Cash and cash equivalents		13.3
Current assets		24.3
Non-current assets and disposal groups held for sale		52.6
Deferred tax liabilities		0.6
Non-current liabilities		0.6
Current provisions		1.0
Trade payables and other liabilities		4.1
Current liabilities		5.1
Liabilities directly related to non-current assets and disposal groups held for sale		5.7
EUR m	2018	2017
Revenues	58.4	54.7
Other income	4.3	7.0
Current depreciation	-24.5	-8.1
Expenses	-48.3	-47.1
Tax expenses	-0.2	-0.3
Result from discontinued operations	-10.3	6.2
EUR m	2018	2017
Cash flow from operating activities	15.6	11.9
Cash flow from investing activities	-6.2	-9.8
Cash flow from financing activities	-0.3	0.0
Cash flow from discontinued operations	9.1	2.1

Gaming Technology subdivision

Negotiations are currently underway with a potential buyer who has shown interest in acquiring a part of the Gaming Technology business. In the fourth quarter of 2018, management decided to enter into negotiations. Business in the Gaming Technology subdivision in question is capital intensive and fell short of expectations in terms of both earnings and cash flows. Expectations for the gaming market are tending towards market consolidation.

The assets or liabilities, earnings and cash flows from this discontinued operation are as follows:

EUR m	2018	
Intangible assets		32.6
Property, plant and equipment		40.4
Deferred tax assets		3.0
Other non-current assets		0.8
Non-current assets		76.8
Inventories		11.7
Trade receivables and other receivables		12.6
Tax receivables		0.3
Current financial assets		1.1
Cash and cash equivalents		5.5
Current assets		31.2
Non-current assets and disposal groups held for sale		108.0
Non-current provisions		0.1
Deferred tax liabilities		1.4
Other non-current liabilities		0.3
Non-current liabilities		1.8
Current financial liabilities		26.1
Current provisions		3.9
Trade payables and other liabilities		12.1
Current liabilities		42.1
Liabilities directly related to non-current assets and disposal groups held for sale		43.8
EUR m	2018	2017
Revenues	104.9	106.5
Other income	10.8	12.1
Current depreciation	-23.4	-27.4
Expenses	-107.0	-108.4
Financial income	0.1	0.1
Tax expenses	1.8	-0.1
Result from discontinued operations	-12.8	-17.3
EUR m	2018	2017
Cash flow from operating activities	4,6	5,1
Cash flow from investing activities	-14,3	-19,0
Cash flow from financing activities	0,0	13,1
Cash flow from discontinued operations	-9,6	-0,8

Others

Due to a lack of growth prospects, management has decided to start selling the two Spanish casinos. It was also decided to sell a non-operating property in eastern Austria.

The affected assets and liabilities are as follows:

EUR m	2018
Investment property	3.6
Other non-current assets	0.1
Non-current assets	3.6
Trade receivables and other receivables	0.1
Cash and cash equivalents	1.6
Current assets	1.8
Non-current assets and disposal groups held for sale	5.4
Non-current liabilities	0.0
Current financial liabilities	0.5
Current provisions	0.8
Trade payables and other liabilities	1.6
Current liabilities	2.9
Liabilities directly related to non-current assets and disposal groups held for sale	2.9

(9) Notes on the Cash Flow Statement

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

The Group undertook the following non-cash investing and financing activities that are not reflected in the cash flow statement: Receivables from the sale of consolidated companies of EUR 8.5 million (previous year: EUR 35.0 million) and liabilities or charges from the acquisition of companies of EUR 8.6 million (previous year: EUR 0.3 million).

(10) Notes on Segment Reporting

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

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

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

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

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

Segment assets consist mainly of intangible assets, property, plant and equipment, inventories, trade receivables and cash balances. Segment liabilities consist mainly of trade payables, provisions, and deferred income. During the reconciliation of the segment assets and liabilities, intercompany receivables and liabilities are eliminated as part of the consolidation of debts.

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

Segment Revenues

2018					
EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	968.1	1,644.9	0.6	0.0	2,613.6
Intra-segment revenues	152.9	1.6	5.5	-160.0	0.0
Total revenues	1,121.0	1,646.5	6.1	-160.0	2,613.6

2017					
EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	840.2 ¹	1,525.5 ¹	0.4 ¹	0.0	2,366.1
Intra-segment revenues	132.6 ¹	14.9 ¹	5.2 ¹	-152.7 ¹	0.0
Total revenues	972.8	1,540.4	5.6	-152.7¹	2,366.1

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

Segment Result

2018					
EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Segment result (EBIT)	-187.2	72.8	-6.9	-10.7	-131.9
Financial result					-27.6
Earnings before taxes					-159.5
Tax expenses					32.5
Net result from continued operations					-127.0

2017					
EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
Segment result (EBIT)	115.0¹	93.9¹	-5.1¹	16.7¹	220.5
Financial result					-21.6
Earnings before taxes					198.9
Tax expenses					-101.6
Net result from continued operations					97.3

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

Segment Assets and Liabilities

2018						
EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Non-allocated assets/liabilities	Total
Segment assets	1,732.5	1,180.4	60.8	-84.1	1,209.6	4,099.1
Segment liabilities	344.7	334.4	5.3	-83.7	2,139.8	2,740.4
2017						
EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Non-allocated assets/liabilities	Total
Segment assets	1,502.6 ¹	1,278.3 ¹	75.9 ¹	-85.6 ¹	1,328.6	4,099.7
Segment liabilities	375.4 ¹	301.1 ¹	5.7 ¹	-85.0 ¹	2,173.5	2,770.8

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

Other Segment Information

2018						
EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation		Total
Scheduled depreciation/ amortization	-195.6	-132.8	-2.9	0.0		-331.3
Impairment	-311.1	-54.7	-1.3	0.0		-367.0
Impairment reversals	0.8	10.0	0.0	0.0		10.7
Investments	387.3	146.7	7.9	0.0		541.9
Investments through business combinations	459.2	20.3	0.0	0.0		479.4
Income from associates	0.0	0.0	0.2	0.0		0.2
Carrying amount of associated companies	1.3	0.0	1.6	0.0		2.9
2017						
EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation		Total
Scheduled depreciation/ amortization	-166.6 ¹	-128.1 ¹	-2.6 ¹	0.0		-297.3
Impairment	-21.9 ¹	-31.1	-0.8 ¹	0.0		-53.8
Impairment reversals	0.2	9.1	0.5	0.0		9.7
Investments	267.5 ¹	158.9 ¹	14.8 ¹	0.0		441.2
Investments through business combinations	20.3	283.8	0.0	0.0		304.1
Income from associates	0.0	0.0	0.2	0.0		0.2
Carrying amount of associated companies	0.0	0.0	1.4	0.0		1.4

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

Geographical Information

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

2018											
EUR m	Austria	Germany	Italy	United Kingdom	Spain	Netherlands	Eastern Europe	Other countries	Online	Unallocated assets	Total
Gaming Technology	93.0	282.5	193.5	10.7	70.7	13.2	78.3	217.8	8.5	0.0	968.1
Gaming Operations	280.6	441.5	207.6	153.8	81.4	79.7	297.3	1.3	101.7	0.0	1,644.9
Other	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.4	0.0	0.0	0.6
Revenues	373.6	724.0	401.1	164.6	152.1	92.8	375.6	219.5	110.2	0.0	2,613.6
Assets	231.3	518.9	359.5	233.0	199.7	54.6	199.7	177.8	28.9	2,095.7	4,099.1

2017											
EUR m	Austria	Germany	Italy	United Kingdom	Spain	Netherlands	Eastern Europe	Other countries	Online	Unallocated assets	Total
Gaming Technology	78.2 ¹	285.7 ¹	202.0 ¹	10.8 ¹	60.4 ¹	12.6 ¹	65.9 ¹	60.3 ¹	64.2 ¹	0.0	840.2
Gaming Operations	257.7 ¹	436.7 ¹	169.8 ¹	149.1 ¹	66.0 ¹	71.7 ¹	275.8 ¹	16.6 ¹	82.2 ¹	0.0	1,525.5
Other	0.0 ¹	0.0 ¹	0.0 ¹	0.1 ¹	0.0 ¹	0.0 ¹	0.0 ¹	0.3 ¹	0.0	0.0	0.4
Revenues	335.9	722.4	371.7¹	160.0¹	126.4	84.4¹	341.7	77.2¹	146.5¹	0.0	2,366.1
Assets	239.8	418.6	385.4¹	322.2¹	188.9	54.0¹	254.6¹	23.2¹	36.3¹	2,176.6	4,099.6

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

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

(11) Notes on Financial Instruments

12/31/2018		Measurement acc. to IFRS 9						
EUR m	Financial assets and financial liabilities at fair value through profit or loss				Financial assets at fair value through other comprehensive income			
	Investments in affiliated companies, non-consolidated	Securities	Derivatives	Purchase price obligations (contingent considerations)	Investments	Financial investments	Securities	
Financial assets								
Financial assets	5.8	0.1			31.6	284.3	0.2	
Other non-current assets								
Trade receivables, other receivables and assets								
Current financial assets			0.4				3.5	
Cash and cash equivalents								
TOTAL	5.8	0.1	0.4	0.0	31.6	284.3	3.7	
Financial liabilities								
Non-current financial liabilities								
Other non-current liabilities				3.0				
Current financial liabilities			0.8					
Trade payables and other liabilities				1.7				
TOTAL	0.0	0.0	0.8	4.7	0.0	0.0	0.0	
12/31/2017		Category acc. to IAS 39						
EUR m					Fair value			
	Loans and receivables	Financial assets available for sale	Financial liabilities recognized at amortized cost	Derivatives and financial liabilities at fair value	Securities	Financial investments	Derivatives	Purchase price obligations
Financial assets								
Financial assets		271.2			5.2	234.9		
Other non-current assets	121.2							
Trade receivables, other receivables and assets	272.4							
Current financial assets	13.5	11.4			11.4			
Cash and cash equivalents	899.7							
TOTAL	1,306.8	282.6	0.0	0.0	16.6	234.9	0.0	0.0
Financial liabilities								
Non-current financial liabilities			1,829.0					
Other non-current liabilities			7.9	44.2				44.2
Current financial liabilities			65.4	6.6			6.6	
Trade payables and other liabilities			157.5	16.2				16.2
TOTAL	0.0	0.0	2,059.9	67.0	0.0	0.0	6.6	60.4

Measurement acc. to IFRS 9

Financial assets and financial liabilities at amortized cost

Cash and cash equivalents	Trade and lease receivables	Loans	Bonds	Bank and lease liabilities	Trade payables	Other receivables and liabilities	Purchase price obligations (written put options)**
	42.3	24.7				34.2	
	280.5					38.6	
	10.8	16.8				2.0	
538.5							
538.5	333.6	41.5	0.0	0.0	0.0	74.8	0.0
		1.6	694.5	869.4		10.0	
						6.7	6.5
		2.8	246.0	38.8			
		0.0			100.5	47.2	42.1
0.0	0.0	4.4	940.5	908.2	100.5	63.9	48.6

Classification acc. to IFRS 7

Amortized costs

Cash and cash equivalents	Trade and lease receivables	Loans	Bonds	Bank and lease liabilities	Trade payables	Other receivables and liabilities	Investments in non-consolidated companies and shares
							31.1
	15.5	61.3				44.5	
	228.4					44.0	
	8.8	2.9				1.8	
899.7							
899.7	252.6	64.2	0.0	0.0	0.0	90.3	31.1
		3.2	939.2	880.1		6.5	
						7.9	
		2.2	0.0	63.3			
					110.2	47.3	
0.0	0.0	5.4	939.2	943.4	110.2	61.8	0.0

Valuation of Financial Instruments

The following tables show the carrying amounts and fair values of the individual financial assets and liabilities for financial instruments by category in accordance with IFRS 9 (as of December 31, 2017, in accordance with IAS 39).

a) Fair Value of Financial Assets and Liabilities Carried at regularly evaluated Fair Value

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

EUR m	12/31/2018	12/31/2017	Hierarchy
Financial assets			
Investments in affiliated companies, non-consolidated	5.8	13.6 ¹	Level 3
Investments – Other	31.6	17.5 ¹	Level 3
Investments – Financial investments	284.3	234.9	Level 3
Securities – Equity instruments	2.9	11.4	Level 1
Securities – Debt instruments	0.8	1.5	Level 1
Securities – Investment funds	0.1	0.1	Level 1
Derivatives (positive market values)	0.4	0.0	Level 2
Financial liabilities			
Derivatives (negative market values)	0.8	6.6	Level 2
Purchase price obligations – Contingent considerations	4.7	3.0	Level 3

¹ In 2017, in accordance with IAS 39, the exemption at amortized cost was applied to investments in non-consolidated companies and other investments.

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 the well-known income approach. The expected cash flows from the multi-year planning are discounted with a specific country discount rate.

The financial investments include the indirectly held 11.56 percent interest in Österreichische Lotterien Gesellschaft mbH (ÖLG) and the directly held 17.19 percent in Casinos Austria Aktiengesellschaft (CASAG). For the market value measurement of both financial investments, internally created company valuations were used applying recognized multiplier methods.

For the market value measurement of Österreichische Lotterien Gesellschaft mbH, an industry multiple derived from a peer group of five international lottery companies was applied. The main input factor for this is the average ratio of enterprise value (EV) 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 9.08 and an EV/EBIT multiplier of 10.14. Firstly, the pro-rated EBITDAs and EBITs of ÖLG and its (sub-)subsidiaries from the most recent publicly available 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 by the aliquotous equity of subordinate participations. 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 amounts to around EUR 1,114.1 million. This resulted in a current market value of EUR 128.7 million for the 11.56 percent investment as of the balance sheet date. This subsequent measurement was recorded in equity, resulting in a revaluation of EUR 13.6 million which had no impact on income.

An increase in the multiplier of 0.5 would lead to an increase in the fair value of EUR 6.4 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.

A two-step weighted industry multiplier was used to measure the market value of Casinos Austria AG. When measuring the CASAG shares, the contribution of ÖLG (68 percent majority stake of CASAG) and the contribution of the other CASAG companies were

considered separately. A comparison group of nine international casino companies served to calculate the industry multiplier for the other CASAG companies. At the time of submitting the offer or acquiring the interest, the EV/EBITDA multiplier was 9.11 and the EV/EBIT multiplier 13.35. The updated determination of the stated multipliers led to an EV/EBITDA multiplier of 7.31 and an EV/EBIT multiplier of 10.85. The multipliers from the ÖLG valuations and the other CASAG companies were weighted in accordance with the EBITDA/EBIT contribution, which has resulted in an average EV/EBITDA multiplier of 8.63 and EV/EBIT multiplier of 10.30. Firstly, the EBITDA and EBIT extrapolated from the most recent publicly available financial information of the CASAG Group 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 non-controlling interests. The resulting equity value for 100 percent interests was adjusted in consideration of an unchanged discount of 24.4 percent based on EBITDA and 18.2 percent based on EBIT for the acquisition of the interest, and comes to around EUR 904.4 million. This resulted in a current market value of EUR 155.6 million for the 17.2 percent investment as of the balance sheet date. This subsequent measurement was recorded in equity, resulting in a revaluation of around EUR 35.8 million which had no impact on income.

An increase in the multiplier of 0.5 would lead to an increase in the fair value of EUR 12.1 million or an increase in the underlying EBITDA/EBIT of the valuation item of 10 percent to an increase in the fair value of EUR 22.2 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 equity instruments – at fair value through other comprehensive income. These equity instruments relate to financial investments that the Group intends to hold for long-term strategic purposes. In the 2017 fiscal year, these financial investments were classified as “available for sale”. No sales of shares in these equity instruments were made in the current fiscal year and therefore no reclassifications were made within equity.

The derivative financial instruments mainly comprise interest rate swaps, interest rate options and forward currency contracts, the fair value of which is ascertained using the discounted cash flow method. For this, the future cash flows determined as of the valuation date are discounted using suitable discount rates with matching maturities (observable interest curves on the balance sheet date, or the most recently applicable interest curve before the balance sheet date (December 31, 2018)). 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	12/31/2018		12/31/2017	
	Nominal amount	Market value	Nominal amount	Market value
USD forward contract – positive market value	10.2	0.4	0.0	0.0
USD forward contract – negative market value	10.3	-0.1	85.5	-5.9
Interest rate swap	77.5	-0.6	77.5	-0.8
Total	98.1	-0.4	163.0	-6.6

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

The contingent considerations from business combinations result from the contractual obligations of the acquiring Group company to pay an additional purchase price to the seller if certain contractually agreed financial performance indicators (e.g. revenue or EBITDA goals) are reached within a certain period after closing. The valuation of the obligations from contingent purchase prices is based on updated revenue and/or EBITDA estimates. The contingent considerations are shown in the balance sheet with EUR 3.0 million (previous year: EUR 3.0 million) under the other non-current liabilities (purchase price obligations) and with EUR 1.7 million

(previous year: EUR 0.0 million) under other current liabilities (purchase price obligations). Purchase price obligations have a residual term of up to three years.

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	12/31/2018		12/31/2017		Hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
Financial liabilities					
Bonds	940.5	957.9	939.2	989.3	Level 1
Bank and leasing liabilities	908.2	911.3	943.4	946.0	Level 2

For the fair value of the bonds, the stock market price on the valuation date or the last valid market price before the balance sheet date (December 31, 2018) was used. The market value of bank and leasing obligations is determined by discounting future fixed cash flows related to these obligations at the market interest rate on the balance sheet date.

For cash, trade receivables, trade payables, other current receivables and other current liabilities, the fair value roughly corresponds to the carrying amount due to the short residual maturities.

For loans and borrowings, as well as other non-current financial receivables and liabilities, no major deviations between fair value and carrying amount are assumed. The default risk is taken into consideration through the application of valuation allowances.

Net Result by Category

12/31/2018			Subsequent measurement		
EUR m	Allowances	At fair value through profit or loss	At fair value through other comprehensive income	Disposal result	Net result
Financial assets measured at amortized cost	-17.5				-17.5
Financial assets measured at fair value through profit or loss		-4.9			-4.9
Financial assets measured at fair value through other comprehensive income			44.6	0.3	44.9
Financial liabilities measured at fair value through profit or loss		4.5			4.5
12/31/2017			Subsequent measurement		
EUR m	Allowances	At fair value through profit or loss	At fair value through other comprehensive income	Disposal result	Net result
Loans and receivables	-13.9				-13.9
Derivatives and financial liabilities at fair value		-7.8	0.4		-7.4
Non-current assets available for sale			39.3	5.0	44.3

Capital Risk Management

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

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

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

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

Due to its contractually agreed financial covenants, the NOVOMATIC Group is required to maintain an equity ratio of at least 20.0 percent and net debt in relation to the EBITDA of not more than 3.75x. For the fiscal year beginning on or after January 1, 2019, the NOVOMATIC Group is required to apply the new provisions of IFRS 16 for the first time. For this reason, the impact of the implementation of IFRS 16 on the existing financing contracts was already analyzed in 2018. This led to an amendment requirement, especially in the area of the financial covenants. As a result, all major financing agreements were amended. The adjusted financial covenants require the Group to maintain an equity ratio of at least 15.0 percent and net debt in relation to EBITDA of a maximum of 4.625x.

The equity ratio and the ratio of net indebtedness to EBITDA as per December 31, 2018, and as per December 31, 2017, are calculated as follows:

	2018	2017
Equity ratio (equity/balance sheet total)	33.1 %	32.4 %
Net debt to EBITDA (net debt/EBITDA)	2.4	1.8

In October 2015, NOVOMATIC AG received a rating for the first time from the ratings agency Standard & Poor's (S&P) and, at the time of preparation of the Consolidated Financial Statement, holds a BBB-rating with a stable outlook.

Financial Risk Management

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

The identification, analysis and assessment of financial risks, as well as the decision on the use of hedging measures and the selection of the relevant hedging instruments, are generally performed and made by the Group Treasury. Any use of derivative instruments at the Group company level is coordinated in advance with Group Treasury in accordance with the Group policy.

Liquidity Risk

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

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

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

Following this purpose, a syndicated revolving credit facility amounting to EUR 1 billion with a term of five years (including the option to prolong twice by one year) was concluded in March 2017 with 13 banks, with the first extension option being exercised in March 2018 and accepted by all investors. When selecting the banks, care was taken to ensure that the investor base remained geographically diversified. Banks from all significant core markets participated in the financing. As at December 31, 2018, the credit line was utilized to the amount of EUR 200 million.

In July 2018, a revolving credit facility in the amount of USD 20 million was prematurely terminated. The loan was used to finance the working capital of the Peruvian subsidiaries and would have expired on September 30, 2018, as agreed.

The promissory note loan of EUR 2.0 million issued in December 2011 was repaid as agreed on December 1, 2018.

In December 2018, a syndicated OeKB participation financing for refinancing the purchase price in connection with the takeover of Ainsworth Game Technology Ltd. in Australia in the amount of EUR 250 million and with a term of seven years was concluded.

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

EUR m	Reporting Year		Previous Year	
	2019	2020–2023	2018	2019–2022
Bonds	260.9	739.2	24.0	494.2
Bank loans	45.0	733.7	69.5	820.2
Lease liabilities	1.0	1.9	0.8	2.4
Trade payables	100.5	0.0	110.2	0.0
Loans	2.8	1.6	2.2	3.2
Derivatives	0.8	0.0	6.6	0.0
Purchase price obligations	43.8	9.5	16.2	44.2
Other liabilities	47.2	16.7	47.3	14.4

Counterparty Risk

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

To screen the default risk for investments (bank balances, money market investments, capital market investments, securities) and for derivatives (positive market value of derivatives), the NOVOMATIC Group monitors the limits, with the aim of evenly distributing funds and avoiding non-diversification risks. Each financial counterparty is assigned a credit rating (rating classification, CDS spreads, common equity tier 1 ratio) on a regular basis and a limit is assigned according to the rating class. In exceptional cases, where the pooling of balances is necessary for larger payments (for example, purchase price payment in the context of M&A transactions), the limits may be exceeded in the short term. If a transaction exceeds its limit, measures to meet the defined target figures are promptly initiated.

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

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

Market Risk

a) Interest Rate Risk

In the context of its financing and investment activities, the NOVOMATIC Group is exposed to risk related to changes in interest rates. Interest rate fluctuations can have a positive or negative effect on the value of financial instruments (present value risk) as well as on the resulting cash flows (cash flow risk). For risk reasons, attention is paid to a balanced fixed interest rate balance sheet or a balanced mix of variable and fixed interest rates with short and long-term interest rates in order to avoid non-diversification risks.

In order to limit interest rate risks, current interest rate developments are monitored on an ongoing basis and, if necessary, interest rate risks are hedged with suitable measures, including derivative instruments such as interest rate swaps. Due to the high share of fixed-interest liabilities (approximately 60 percent) in the NOVOMATIC Group's financing portfolio, the cash flow risk due to increasing interest rates is limited. Commercial banks largely pass on the negative deposit rates of the ECB for balances above certain thresholds to their business customers, resulting in increased demands on cash management and efficient management of the NOVOMATIC Group's liquidity reserves.

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

The following schedule shows the impact of potential interest rate changes (+/- 50 basis points or + 50/- 0 basis points) on earnings before taxes and on equity based on reasonable judgment. The interest rate sensitivity analysis includes the effects of variable-interest bank liabilities and bank deposits, as well as the derivatives contracts as per the reporting date. The calculation simulated

an interest rate increase of 50 basis points for variable rate bank liabilities, variable interest bank deposits and payments from derivatives. Furthermore, when calculating the impact of a potential 50 basis point interest rate cut, only the impact on floating rate bank deposits was simulated as the majority of floating rate bank debt has a contractual floor and thus is not affected by further reductions in interest rates. Payments from current interest rate derivatives as at the reporting date are also not affected by any interest rate reduction.

EUR m	2018		2017	
	+50 basis points	-50 basis points	+50 basis points	-50 basis points
Change (in basis points)				
Change in earnings before taxes	-0.6	-1.9	1.2	-3.6
Change in equity	-0.5	-1.4	0.9	-2.7

The average weighted reference rate for variable funding was 1.827 percent in 2018 (2017: 2.39 percent) and the average 3M EURIBOR for 2018 was -0.322 percent (2017: -0.329 percent).

Many banks in the euro area have passed the negative interest rates or the negative deposit rate at the ECB to their bank customers as "negative interest rates" on customer deposits that exceed a certain threshold.

A further reduction of the 0.5 percent interest rate is rather unrealistic at the time of writing, in particular because the ECB is slowly curbing monetary policy measures. For example, the bond purchase program was terminated in December 2018. However, the ECB's first possible rate hikes are currently expected by market participants in 2020 at the earliest. Low inflation in the euro zone, appreciation of the EUR against the USD and other major currencies, negative impact on the economy in the euro area, as well as further economic and cyclical aspects, could push any anticipated increase in the ECB interest rate and subsequently the EUR loan and deposit rates, further into the future.

b) Foreign Exchange Risk

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

In order to limit foreign currency risks, the risk is calculated regularly on a rolling basis for business transactions made in foreign currencies or where the transaction price depends on foreign currencies. A net foreign currency position at the beginning of the planning period, planned foreign currency deposits and disbursements and existing derivative hedging instruments are determined over the planning period, and a relevant foreign currency risk is hedged using corresponding hedging transactions to mitigate the risk of exchange rate movements in future periods. An initial hedge for currency risk is provided through foreign currency items that are naturally self-contained (natural hedge), for instance, the payments received from deliveries and services in USD are balanced by payments made for deliveries and services in USD. For the remaining net foreign currency exposure, currency risk is usually hedged through forward currency contracts. With regard to exchange rate risks from the operating business, the NOVOMATIC Group is currently and in the medium term in a USD net payer position due to the materials and merchandise which are purchased and invoiced in USD.

In the 2018 reporting period, USD forward foreign exchange contracts with a net value of approximately USD 77 million were due for the operating business. As of the reporting date, subsequent periods have USD forward currency contracts of approximately USD 24 million, with approximately USD 0 million being re-contracted in the 2018 reporting period.

In addition to the USD forward currency contracts mentioned above, no further derivative hedging instruments were contracted in the NOVOMATIC Group in the 2018 reporting period to reduce foreign currency risk.

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

Within the framework of the analysis to measure the sensitivity towards exchange rate movements, the impacts of a change in the exchange rate of +/- 10 percent on foreign currency ("FX") bank balances (USD, GBP), time deposits in FX, loans received or given in FX as at the reporting date and on market values are analyzed.

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

EUR m	2018		2017	
Exchange rate fluctuation, foreign currency to EUR	+10	-10	+10	-10
Change in earnings before taxes	-2.9	2.4	2.6	-2.3
Change in equity	-2.2	1.8	1.9	-1.7

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

EUR m	2018		2017	
Exchange rate fluctuation, foreign currency to EUR	+10 % (Appreciation GBP)	-10 % (Depreciation GBP)	+10 % (Appreciation GBP)	-10 % (Depreciation GBP)
Change in earnings before taxes	0.9	-0.8	3.5	-2.9
Change in equity	0.7	-0.6	2.7	-2.2

In the reporting period, average financial liabilities in the NOVOMATIC Group were mainly denominated in EUR (around 99 percent), and otherwise in other currencies (around one percent). Group companies with an accounting currency other than their financing currency were hence exposed to foreign exchange risk in terms of the financing currency (mainly EUR).

c) Capital Investments

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

(12) Notes on Leases and Contingent Liabilities

Finance Lease according to IAS 17

NOVOMATIC Group as lessee:

The carrying amounts of the Group's property, plant and equipment held under finance leases totals EUR 0.2 million (previous year: EUR 0.7 million). The property, plant and equipment held under finance lease comprise plant and machinery, office equipment and vehicles. The terms of the leases lie between 3 and 5 years.

The carrying amounts of the Group's investment property held under finance lease add up to EUR 8.1 million (previous year: EUR 9.5 million). After the expiration of the agreement, ownership of the property will be transferred to the Group.

EUR m	Minimum lease payments		Present value of minimum lease payments	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Within one year	0.9	0.6	0.8	0.5
Between one and five years	1.7	2.2	1.5	2.1
Over five years	0.0	0.0	0.0	0.0
Total	2.6	2.8	2.4	2.6
Less prospective financing costs	-0.2	-0.2		
Present value of lease obligations	2.4	2.6		

NOVOMATIC Group as lessor:

The Group concludes finance lease agreements for slot machines. The term of the concluded finance lease agreements is between 1 and 5 years.

EUR m	Minimum lease payments		Present value of minimum lease payments	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Within one year	12.4	10.3	10.8	8.8
Between one and five years	18.9	18.2	16.6	15.5
Over five years	0.0	0.0	0.0	0.0
Total	31.3	28.6	27.4	24.2
Less prospective financing income	-4.0	-4.4		
Present value of lease receivables	27.4	24.2		

Operating Lease according to IAS 17

NOVOMATIC Group as lessee:

The Group has mainly entered lease agreements regarding the use of property (gaming arcades). The following obligations arise from irredeemable agreements:

EUR m	12/31/2018	12/31/2017
For the next year	72.6	64.2
For the following two to five years	164.8	142.2
Over five years	55.9	100.3

The new standard for leases, IFRS 16, must be applied starting from the 2019 fiscal year. Accordingly, the lessee must also recognize a liability for future lease payments for each operating lease and, at the same time, capitalize a right of use. According to current calculations, leasing liabilities of EUR 738.0 million (EUR 794.0 million less EUR 56.0 million pursuant to IFRS 5) and rights of use of EUR 732.0 million (EUR 788.0 million less EUR 56.0 million pursuant to IFRS 5) will be recognized. The underlying detailed analyses are explained in section (4) of this report.

NOVOMATIC Group as lessor:

The Group concluded contracts for the rental of gaming machines with mainly irredeemable terms between 12 and 24 months. The gaming machines are shown under property, plant and equipment as plant and machinery. The rent payments during the reporting period are shown as sales revenue under income from rent and management services. Within the rent payments, conditional lease payments amount to EUR 77.9 million (previous year: EUR 180.8 million).

The claims for future minimum lease payments from noncancelable operating leasing agreements are as follows:

EUR m	12/31/2018	12/31/2017
For the next year	247.9	95.1
For the following two to five years	253.8	10.5
Over five years	1.5	2.6

Contingent Liabilities

Contingent liabilities from guarantees amounting to EUR 14.0 million (previous year: EUR 6.9 million) were granted to the Italian regulatory authority ADM.

(13) Other Disclosure

Group Audit Fees

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

EUR m	2018	2017
Group audit and audit of financial statements	3.1	2.5
Audit-related services	0.2	0.6
Tax advisory services	1.0	0.3
Other consulting services	0.4	0.5

Expenses for services provided by Deloitte Audit Wirtschaftsprüfungs GmbH in 2018 amounted to EUR 1.0 million for the Group audit and audit of financial statements and EUR 0.2 million for audit-related services.

Related Party Transactions

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

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

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

EUR m	Other		Management	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Receivables	20.5	6.1	0.4	0.0
Liabilities	10.5	2.9	0.1	0.3
Revenues	21.9	23.8	0.1	0.0
Cost of material	64.2	57.2	0.0	0.0
Consulting services	0.0	0.0	0.6	0.8
Research and development	0.0	0.0	0.0	0.0
Other expenses	3.9	3.3	0.0	0.0
Interest income	0.1	0.0	0.0	0.0

The item "Management" comprises the Supervisory Board and the Executive Board of NOVOMATIC AG. The management's remuneration is disclosed in the note on "Company bodies."

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

There were no transactions with associated companies during the two financial years.

Fully Consolidated Subsidiaries

IC code	Company, domicile	Superordinate company	Group share	Direct share
ABZOAT	AbZorba Games Betriebsges.m.b.H., Austria	GTA	100.00 %	100.00 %
ACEAT	Admiral Casinos and Entertainment AG, Austria	NAG	100.00 %	100.00 %
ADCAES	Admiral Casinos S.A., Spain	NOGES	100.00 %	100.00 %
ADCLES	Admiral Gaming Castilla y León S.L., Spain	ADGMES	100.00 %	100.00 %
ADGAES	Admiral Gaming Andalucía S.A., Spain	NOGES	100.00 %	100.00 %
ADGMES	Admiral Operations Spain S.L., Spain	NOGES	100.00 %	100.00 %
ADLERO	Admiral Leisure SRL, Romania	NOVORO/NMIIAT	99.00 % / 1.00 %	99.00 % / 1.00 %
ADMICS	Admira d.o.o., Serbia	NOVOCS	100.00 %	100.00 %
ADMILV	Admiralu Klubs SA, Latvia	NAG	60.00 %	60.00 %
ADOSES	Admiral Gaming Madrid S.L., Spain	SAMAES/ADGMES	45.00 % / 40.00 %	60.00 % / 40.00 %
ADRIAL	Adriatik Game Sh.A., Albania	EAGAL	100.00 %	100.00 %
ADRIT	Novomatic Italia S.p.A., Italy	NAG	100.00 %	100.00 %
ADSLES	Admiral Slots S.A., Spain	NOGES	100.00 %	100.00 %
AGIAR	NOVOMATIC Argentina S.R.L., Argentina	NAG/HTM	90.00 % / 10.00 %	90.00 % / 10.00 %
AGIHU	NOVOMATIC Hungaria Kft., Hungary	NAG	100.00 %	100.00 %
AGIMX	Crown Gaming Services S.L. de C.V., Mexico	NAG/NMIIAT	80.00 % / 20.00 %	80.00 % / 20.00 %
AGISA	NOVOMATIC Africa (Pty) Ltd. - TK ALW, South Africa	NAG	100.00 %	100.00 %
AGMIT	Admiral Entertainment Srl, Italy	ADRIT	100.00 %	100.00 %
AGTAU	Ainsworth Game Technology Ltd., Australia	NAG	52.90 %	52.90 %
AIIT	Admiral Interactive srl., Italy	ADRIT	100.00 %	100.00 %
AINSFR	Novomatic Services FRA SAS, France	NAG	100.00 %	100.00 %
AINSUK	Ainsworth UK Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
AIRO	Airoline GmbH, Austria	NAG	100.00 %	100.00 %
ALEARO	Alea Leisure SRL, Romania	NOVORO/NMIIAT	99.00 % / 1.00 %	99.00 % / 1.00 %
ALFLV	Alfor SIA, Latvia	NAG	60.00 %	60.00 %
ALLIT	Allstar s.r.l., Italy	ADRIT	100.00 %	100.00 %
ALLOAT	Albanisch Österreichische Lotterien Holding Gesellschaft m.b.H., Austria	NAG	100.00 %	100.00 %
ALORES	Aloragaming S.L., Spain	BAGAES	51.00 %	100.00 %
ALPDE	Admiral Play GmbH, Germany	NSMLDE	100.00 %	100.00 %
ALPSIT	ALP S.r.l., Italy	ADRIT	70.00 %	70.00 %
ALSGRU	OOO Octavian Game Art, Russia	NAG/SBPRU	99.90 % / 0.10 %	99.90 % / 0.10 %
AMONBA	Amoniq d.o.o., Bosnia and Herzegovina	HTLBA	100.00 %	100.00 %
ARGAR	Octavian de Argentina S.A., Argentina	NAG/HTM	90.00 % / 10.00 %	90.00 % / 10.00 %
ASCGUK	Luxury Leisure Holdings Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
ASCOUK	Astra Casino Gaming (One) Ltd., United Kingdom	ASCGUK	100.00 %	100.00 %
ASGOUK	S.A.L. Leisure Holdings Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
ASTRAL	Astra Albania Sh.A., Albania	EAGAL	100.00 %	100.00 %
ASTRUK	Astra Games Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
ASTUK	Novomatic UK Ltd., United Kingdom	NAG	100.00 %	100.00 %
ASW	Admiral Sportwetten GmbH, Austria	NAG	100.00 %	100.00 %
ASWDE	Admiral Sportwetten GmbH2, Germany	NSMLDE	100.00 %	100.00 %
ATSIPL	NOVOMATIC Technologies Poland S.A., Poland	ATTPL/NAG	51.22 % / 48.78 %	51.22 % / 48.78 %

IC code	Company, domicile	Superordinate company	Group share	Direct share
ATTPL	Advanced Technology Trust S.A., Poland	NAG	100.00 %	100.00 %
AUSPDE	Automaten Service Playtime GmbH, Germany	EXTDE	100.00 %	100.00 %
AUSUES	Automáticos Surmatic S.L., Spain	ADGMES	60.00 %	60.00 %
AWPDNL	Eurocoin Interactive B.V., Netherlands	JVHPNL	100.00 %	100.00 %
AZARLT	UAB Azarto Technika, Lithuania	NAG	80.00 %	80.00 %
BAGAES	Basque Gaming S.L., Spain	ADGMES	51.00 %	51.00 %
BEAMT	BeatYa Online Entertainment plc, Malta	GTA	100.00 %	100.00 %
BEKUDE	BeKu Automaten & Gastronomie Service GmbH, Germany	EXTDE	100.00 %	100.00 %
BELLUK	Bell-Fruit Group Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
BEMARO	Bet Master Srl., Romania	NOVORO/NMIIAT	99.89 % / 0.11 %	99.89 % / 0.11 %
BETHIS	NOVOMATIC Lottery Solutions (Iceland) hf., Iceland	NLSAT/NAG	99.76 % / 0.24 %	99.76 % / 0.24 %
BETWCS	Novomatic Lottery Solutions d.o.o. Belgrade, Serbia	BETWDK	100.00 %	100.00 %
BETWDK	Betware DK ApS., Denmark	BETHIS	100.00 %	100.00 %
BETWES	Betware S.L.U., Spain	BETHIS	100.00 %	100.00 %
BIERNL	Biermann's Bingo B.V., Netherlands	CAHONL	100.00 %	100.00 %
BLUECA	Bluebat Games Inc., Canada	GTCACA	70.00 %	70.00 %
BPAFDE	BPA Freizeit- und Unterhaltungsbetriebe GmbH, Germany	NSMLDE	100.00 %	100.00 %
BRONDE	BRONCO Automaten Immobilien und Gaststätten GmbH, Germany	ALPDE	100.00 %	100.00 %
CAALIT	Casino delle Alpi srl, Italy	ADRIT	100.00 %	100.00 %
CAAPNL	Casino Admiral Appelscha B.V., Netherlands	CAHONL	100.00 %	100.00 %
CAHONL	Casino Admiral Holland B.V., Netherlands	JVHPNL	100.00 %	100.00 %
CAMADE	Casino Macau GmbH, Germany	WGVEDE	100.00 %	100.00 %
CAPEIT	Capecod Gaming S.r.l., Italy	ADRIT	80.00 %	80.00 %
CARIDE	Casino Roxos GmbH, Germany	EXTDE	100.00 %	100.00 %
CARODE	Casino Royal GmbH, Germany	NAG	100.00 %	100.00 %
CAS1DE	Casino Deluxe Beteiligungsges.m.b.H. I, Germany	BPAFDE	100.00 %	100.00 %
CAS3DE	Casino Deluxe Beteiligungsges.m.b.H. III, Germany	BPAFDE	100.00 %	100.00 %
CASKDE	Casino Entertainment GmbH & Co.KG, Germany	EXTDE	100.00 %	100.00 %
CAZENL	Casino Admiral Zeeland B.V., Netherlands	JVHPNL	100.00 %	100.00 %
CITYDE	City Freizeitanlagen GmbH, Germany	EXTDE	100.00 %	100.00 %
COMEBA	AK "COMET" d.o.o. Zivinice, Bosnia and Herzegovina	HTLBA	100.00 %	100.00 %
COMEES	Comercial Txartel S.L., Spain	BAGAES	40.80 %	80.00 %
COSPDE	Conrad Spielautomaten GmbH, Germany	EXTDE	100.00 %	100.00 %
CROMX	Crown Gaming Mexiko S.A. de C.V., Mexico	NAG/NMIIAT	99.99 % / 0.01 %	99.99 % / 0.01 %
CROPE	Crown Gaming SAC, Peru	NOVOPE	100.00 %	100.00 %
DOMIDE	Domino-Automaten-Betriebs-GmbH, Germany	EXTDE	100.00 %	100.00 %
EAGAL	Eagle Investment Sh.A., Albania	NAG	100.00 %	100.00 %
ELAMNL	Elam Group Electronic Amusement B.V., Netherlands	EUCGNL	100.00 %	100.00 %
ELSYIT	Electro System S.p.A., Italy	ADRIT	100.00 %	100.00 %
EMPUK	Empire Games Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
EN61UK	Ensco 961 Ltd., United Kingdom	ASTUK	100.00 %	100.00 %

IC code	Company, domicile	Superordinate company	Group share	Direct share
EN62UK	Enesco 962 Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
ERGAES	Erreka Games S.L., Spain	BAGAES	51.00 %	100.00 %
ESTRPL	Estrada Polska Sp.z.o.o., Poland	NAG	100.00 %	100.00 %
EUCGNL	Eurocoin Gaming B.V., Netherlands	JVHPNL	100.00 %	100.00 %
EXTDE	Admiral Entertainment GmbH, Germany	NSMLDE	100.00 %	100.00 %
EZEADE	EZEA GmbH, Germany	EXTDE	100.00 %	100.00 %
FECCIT	FEC S.p.A., Italy	ADRIT	80.00 %	80.00 %
FMASK	Greentube Slovakia s.r.o., Slovakia	FST/GTA	0.38 %/99.62 %	0.38 %/99.62 %
FST	Funstage GmbH, Austria	GTA	100.00 %	100.00 %
FUNHUK	Funhouse Leisure Ltd., United Kingdom	PLAYUK	100.00 %	100.00 %
FUSAUK	Funhouse Leisure Sales Ltd., United Kingdom	PLAYUK	100.00 %	100.00 %
GALUK	Greentube Alderney Ltd., United Kingdom	GTMT	100.00 %	100.00 %
GAMEUK	Gamestec Leisure Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
GEAUDE	Gelsenautomaten Verwaltungs-Gesellschaft mbH, Germany	CARODE	100.00 %	100.00 %
GIGAES	GiGames S.L., Spain	NOGES	100.00 %	100.00 %
GMAIT	Admiral Gaming Network S.r.l., Italy	ADRIT	100.00 %	100.00 %
GRCAES	Gran Casino Aljarafe S.A., Spain	ADCAES	100.00 %	100.00 %
GSM	Giochi San Marino S.p.a., San Marino	NAG	93.00 %	93.00 %
GTA	Greentube Internet Entertainment Solutions GmbH, Austria	ASTUK	100.00 %	100.00 %
GTCACA	Greentube Canada Interactive Entertainment Corp., Canada	GTA	100.00 %	100.00 %
GTGIGI	Greentube Gibraltar Ltd., Gibraltar	GTA	100.00 %	100.00 %
GTMT	Greentube Malta Ltd., Malta	GTA	100.00 %	100.00 %
GTUKUK	Greentube UK Ltd., United Kingdom	GTA	100.00 %	100.00 %
HGVADE	HGV Automatenaufstellung- und Spielhallen GmbH, Germany	CARODE	100.00 %	100.00 %
HISPES	Recreativos Hispajuegos S.L., Spain	ADGMES/SAMAES	24.00 %/27.04 %	24.00 %/36.05 %
HOCAPE	Hotel Carrera S.A.C., Peru	INKEPE	100.00 %	100.00 %
HPABDE	HP Automatenbetriebs GmbH, Germany	EXTDE	100.00 %	100.00 %
HTBLBA	RSA Gaming d.o.o., Bosnia and Herzegovina	NOVOBA	100.00 %	100.00 %
HTLBA	HTL d.o.o. Sarajevo, Bosnia and Herzegovina	NAG	100.00 %	100.00 %
HTLME	HTL Montenegro d.o.o., Montenegro	NAG	100.00 %	100.00 %
HTLMK	HTL Makedonija DOOEL, Macedonia	NAG	100.00 %	100.00 %
HTLUA	HTL Ukraine LCC, Ukraine	NAG	100.00 %	100.00 %
HTM	HTM Hotel und Tourismus Management GmbH, Austria	NAG	100.00 %	100.00 %
IDEADE	Ideal Entertainment GmbH, Germany	NWCKDE	100.00 %	100.00 %
IGROUA	Igrotech-Import OOO, Ukraine	AZARLT	80.00 %	100.00 %
IKGDE	Novo Immobilien GmbH, Germany	NAG	100.00 %	100.00 %
INKEPE	Inversiones Kerala S.A.C., Peru	CROPE	100.00 %	100.00 %
INT7ES	Interseven Gaming Team S.L., Spain	GIGAES/NOGES	50.00 %/50.00 %	50.00 %/50.00 %
INTEHR	Interigre d.o.o., Croatia	NOGHR	100.00 %	100.00 %
INTRO	Intertop Leisure SRL, Romania	NOVORO/NMIIAT	99.98 %/0.0174 %	99.98 %/0.0174 %
JANOES	Juegos Automaticos Nacidos para el Ocio S.L., Spain	SAMAES	60.00 %	80.00 %

IC code	Company, domicile	Superordinate company	Group share	Direct share
JVHNL	NOVOMATIC Exploitatie NL II B.V., Netherlands	JVHPNL	100.00 %	100.00 %
JVHMNL	NOVOMATIC Development NL B.V., Netherlands	JVHPNL	100.00 %	100.00 %
JVHPDE	JVH Gaming Products GmbH, Germany	JVHPNL	100.00 %	100.00 %
JVHPNL	NOVOMATIC Services NL B.V., Netherlands	NOVONL	100.00 %	100.00 %
KOENDE	Königstraße Spielstätten und Automaten UG, Germany	EXTDE	100.00 %	100.00 %
KSBKDE	Kurhessische Spielbank Kassel/BadWildungen GmbH & CO KG, Germany	SIMKDE	100.00 %	100.00 %
LOONNL	NOVOMATIC Exploitatie NL III B.V., Netherlands	JVHPNL	100.00 %	100.00 %
LORZNL	Recreatieprojecten Zeeland B.V., Netherlands	CAZENL	100.00 %	100.00 %
LOTAAL	Lotaria Kombetare Sh.p.k., Albania	ALLOAT	100.00 %	100.00 %
LUXLUK	Luxury Leisure Uld., United Kingdom	ASCGUK	100.00 %	100.00 %
MAGMK	MA Gaming d.o.o.e.l., Macedonia	HTLMK	100.00 %	100.00 %
MAKOMK	Makoten DOOEL, Macedonia	NAG	100.00 %	100.00 %
MASTMK	Masterbet DOOEL, Macedonia	HTLMK	100.00 %	100.00 %
MEDHR	Mediteran Gaming d.o.o., Croatia	NOGHR	100.00 %	100.00 %
MIBECS	Millennium Bet d.o.o., Serbia	NOVOCS	80.00 %	80.00 %
MILLIT	Admiral Sport S.r.l., Italy	ADRIT	100.00 %	100.00 %
MNAME	MNA Gaming d.o.o., Montenegro	HTLME	100.00 %	100.00 %
MOISDE	Moislinger Spielstätten und Automaten UG, Germany	EXTDE	100.00 %	100.00 %
MUEHDE	Mühlenstraße Spielstätten und Automaten UG, Germany	EXTDE	100.00 %	100.00 %
NAG	NOVOMATIC AG, Austria	NIG	89.96 %	89.96 %
NAHUS	Novomatic Americas Holdings Inc., USA	NAG	100.00 %	100.00 %
NAINUS	Novomatic Americas Investments Inc., USA	NAHUS	100.00 %	100.00 %
NASUS	Novomatic Americas Sales LLC., USA	NAHUS/NAINUS	99.00 % / 1.00 %	99.00 % / 1.00 %
NDSKDE	NOVO Data Solutions GmbH & Co. KG, Germany	NSMLDE	75.00 %	75.00 %
NEE	Novoloto OÜ, Estonia	ADMILV	60.00 %	100.00 %
NEULDE	Neulin GmbH, Germany	HGVADE	100.00 %	100.00 %
NEWTUK	Brian Newton Leisure Ltd., United Kingdom	LUXLUK	100.00 %	100.00 %
NGEXNL	NOVOMATIC Exploitatie NL I B.V., Netherlands	JVHPNL	100.00 %	100.00 %
NGMTAT	Novo Gaming M Technologies GmbH, Austria	NAG	100.00 %	100.00 %
NHCCL	Novomatic Holding Chile Ltda., Chile	NICCL	100.00 %	100.00 %
NICCL	Novomatic Investment Chile S.A., Chile	NAG	100.00 %	100.00 %
NLAHES	Novomatic LatAm Holding S.L.U., Spain	NAG	100.00 %	100.00 %
NLSAT	NOVOMATIC Lottery Solutions GmbH, Austria	NAG	100.00 %	100.00 %
NLSSES	NOVOMATIC Lottery Solutions Spain SL, Spain	NLSAT	100.00 %	100.00 %
NLSTTN	AGI.Novomatic Tunisia S.A.R.L., Tunisia	NAG/NLSAT	1.00 % / 99.00 %	1.00 % / 99.00 %
NMIAT	NMI Invest GmbH, Austria	NAG	100.00 %	100.00 %
NMN	NMN Immo GmbH, Austria	NAG	100.00 %	100.00 %
NOGES	Novomatic Gaming Spain S.A., Spain	NAG	100.00 %	100.00 %
NOGHR	Novo Gaming d.o.o., Croatia	NAG	100.00 %	100.00 %
NORDDE	Norddeutsche Spielbanken GmbH, Germany	NAG	100.00 %	100.00 %
NORERO	Norebo SRL, Romania	INTRO	99.98 %	100.00 %

IC code	Company, domicile	Superordinate company	Group share	Direct share
NOSES	Novomatic Services Spain S.L., Spain	NOGES	100.00 %	100.00 %
NOVAIT	Novarmatic Group Srl., Italy	GMAIT	100.00 %	100.00 %
NOVOBA	NOVO RS d.o.o., Bosnia and Herzegovina	NAG	100.00 %	100.00 %
NOVOBG	Novo Investment Bulgaria EOOD, Bulgaria	NAG	100.00 %	100.00 %
NOVOCL	Novochile Ltda., Chile	NAG/NMIIAT	99.00 % / 1.00 %	99.00 % / 1.00 %
NOVOCS	Novo Investment d.o.o., Serbia	NAG	100.00 %	100.00 %
NOVOGT	Novo Gaming GT Limitada, Guatemala	NLAHES/HTM	99.999 % / 0.001 %	99.999 % / 0.001 %
NOVOLT	Novogaming Vilnius UAB, Lithuania	NAG	80.00 %	80.00 %
NOVOMD	NOVO Investment MLD Srl., Moldavia	NGMTAT	100.00 %	100.00 %
NOVONL	NOVOMATIC Netherlands B.V., Netherlands	NAG	100.00 %	100.00 %
NOVOPA	Novo Panama S.de R.L., Panama	NLAHES/NMIIAT	99.90 % / 0.10 %	99.90 % / 0.10 %
NOVOPE	Novomatic Peru SAC, Peru	NAG/NMIIAT	99.99 % / 0.01 %	99.99 % / 0.01 %
NOVORO	Novo Investment RO Srl., Romania	NAG/NMIIAT	99.80 % / 0.20 %	99.80 % / 0.20 %
NSMLDE	Löwen Entertainment GmbH, Germany	NAG	100.00 %	100.00 %
NVLAT	Novo VLTech GmbH, Austria	NAG	100.00 %	100.00 %
NVLTRO	Novo VLTech Solutions S.r.l., Romania	NAG/NVLTAT	0.01 % / 99.99 %	0.01 % / 99.99 %
NWCKDE	NWC Nord West Casino GmbH, Germany	EXTDE	100.00 %	100.00 %
OLACO	NOVOMATIC Gaming Colombia S.A.S., Colombia	NAG	100.00 %	100.00 %
OTIUES	Otiumgi S.L., Spain	NAG	60.00 %	60.00 %
OTIUMX	Otium Mexico S.A.P.I. de C.V., Mexico	S4GAES/OTIUES	59.99 % / 0.01 %	99.98 % / 0.02 %
PLAAT	Platogo Interactive Entertainment GmbH, Austria	GTA	100.00 %	100.00 %
PLANBY	Planeta Igr. COO, Belarus	AZARLT	80.00 %	100.00 %
PLAYDE	Play-Point Spielhallen- und Automatenbetriebsges.m.b.H., Germany	EXTDE	100.00 %	100.00 %
PLAYUK	Playnation Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
RALLUK	RAL Ltd., United Kingdom	TALAUK	100.00 %	100.00 %
RECRES	Recreativos del Este S.L., Spain	ADGMES	60.00 %	60.00 %
REDDDE	Red Devil Spielothek GmbH, Germany	EXTDE	100.00 %	100.00 %
RIVUNL	Rio Vught B.V., Netherlands	CAHONL	100.00 %	100.00 %
S4GAES	S4Gaming S.L., Spain	OTIUES	60.00 %	100.00 %
SALLUK	SAL Leisure Ltd., United Kingdom	ASGOUK	100.00 %	100.00 %
SAMAES	Salones Macao S.L., Spain	ADGMES	75.00 %	75.00 %
SBBKDE	Spielbank Berlin GmbH & Co.KG, Germany	SBNKDE	60.00 %	60.00 %
SBEKDE	Spielbank Berlin Entertainment GmbH & Co.KG, Germany	NAG	60.00 %	60.00 %
SBMKDE	Spielbanken MV GmbH & Co.KG, Germany	SBNKDE	100.00 %	100.00 %
SBNKDE	NOVOMATIC Spielbanken Holding Deutschland GmbH & Co.KG, Germany	NAG	100.00 %	100.00 %
SBPRU	Octavian SPb Limited Partnership, Russia	NAG	100.00 %	100.00 %
SIMKDE	SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & CO KG, Germany	NAG	100.00 %	100.00 %
SOGIT	Admiral Games S.r.l., Italy	ADRIT	100.00 %	100.00 %
SPGEDE	Spieloase GeBo GmbH & Co.KG, Germany	CARODE	100.00 %	100.00 %
SPHEDE	Spieloase Herne GmbH, Germany	CARODE	100.00 %	100.00 %
SPREDE	Spieloase Relax Automatenaufstellungs- und Vertriebs GmbH, Germany	CARODE	100.00 %	100.00 %

IC code	Company, domicile	Superordinate company	Group share	Direct share
SPTRDE	Spieloase TRIO Automatenaufstellungs- und Vertriebs GmbH, Germany	CARODE	100.00 %	100.00 %
SPVEDE	Spielinsel Vermietungs GmbH, Germany	BRONDE	100.00 %	100.00 %
SUGANL	Super Game B.V.2, Netherlands	CAHONL	100.00 %	100.00 %
TALAUK	Talarius Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
TAXILT	UAB Taxillus, Lithuania	AZARLT	80.00 %	100.00 %
TURHDE	Turhan Spielsalon GmbH, Germany	EXTDE	100.00 %	100.00 %
UGIRU	OOO "United Gaming Industries", Russia	NAG/NMIIAT	99.99 % / 0.01 %	99.99 % / 0.01 %
VEGAHR	Las Vegas d.o.o., Croatia	NOGHR	100.00 %	100.00 %
VERAES	Verajuegos S.L., Spain	ADGMES/SAMAES	24.00 % / 27.04 %	24.00 % / 36.05 %
VGSBDE	VGS Betriebsgesellschaft mbH, Germany	CARODE	100.00 %	100.00 %
VIDDE	Casino Deluxe Beteiligungsges.m.b.H. IV, Germany	BPAFDE	100.00 %	100.00 %
VILLBG	Villox Group EOOD, Bulgaria	NOVOBG	100.00 %	100.00 %
VSGALT	UAB VSGA, Lithuania	AZARLT	80.00 %	100.00 %
WETTRO	Wettpunkt International S.R.L., Romania	NOVORO	100.00 %	100.00 %
WGVEDE	WGV Entertainment GmbH, Germany	CARODE	100.00 %	100.00 %
ZSCADE	ZS Casino Emsland GmbH, Germany	EXTDE	100.00 %	100.00 %

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

Non-Consolidated Affiliated Companies

IC code	Company, domicile	Superordinate company	Group share	Direct share
ABZOGR	AbZorba Games I.K.E., Greece	ABZOAT	100.00 %	100.00 %
ADTIIT	Admiral Time S.r.l., Italy	ADRIT	70.00 %	70.00 %
ASGGUK	Harlequin Gaming Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
BAGYHU	Admiral Hungaria Kft., Hungary	AGIHU	100.00 %	100.00 %
BETBMT	BetCave Betting Solutions Limited, Malta	BETHMT	100.00 %	100.00 %
BETHMT	BetMen Holding Limited, Malta	ASW	100.00 %	100.00 %
BETOMT	BetMen Operations Limited, Malta	BETHMT	100.00 %	100.00 %
BFGUK	Bell-Fruit Games Ltd., United Kingdom	BELLUK	100.00 %	100.00 %
BINGIT	Bingoland S.r.l., Italy	AGMIT	51.00 %	51.00 %
CAH1NL	Casino Admiral Staff B.V., Netherlands	CAHONL	100.00 %	100.00 %
CAH2NL	Casino Admiral Holland II B.V., Netherlands	CAHONL	100.00 %	100.00 %
CAH3NL	Casino Admiral Holland III B.V., Netherlands	CAHONL	100.00 %	100.00 %
CAH4NL	Casino Admiral Holland IV B.V., Netherlands	CAHONL	100.00 %	100.00 %
CASVDE	Casino Entertainment Verwaltungs-GmbH, Germany	EXTDE	100.00 %	100.00 %
CAWANL	Casino Admiral Waalwijk B.V., Netherlands	CAHONL	100.00 %	100.00 %
CELIAT	celix Solutions GmbH, Austria	NAG	80.00 %	80.00 %
CLUBUK	Admiral Club Ltd., United Kingdom	NAG	100.00 %	100.00 %
CPASPH	CP Asian Solutions Corporation, Philippines	ASTUK	51.00 %	51.00 %
CRVBA	"Crveno-Crno" d.o.o. Mostar, Bosnia and Herzegovina	HTLBA	100.00 %	100.00 %
GIPDE	NOVOMATIC Spielbanken Holding Deutschland Verwaltungs GmbH, Germany	SBNKDE	100.00 %	100.00 %

IC code	Company, domicile	Superordinate company	Group share	Direct share
GTECUK	Gamestec Ltd., United Kingdom	GAMEUK	100.00 %	100.00 %
GTSEMT	Greentube Malta SEE Ltd., Malta	GTMT	100.00 %	100.00 %
INLOLB	Interlog SAL, Lebanon	INTLB	95.00 %	100.00 %
INNOUK	Innov8 Gaming Ltd., United Kingdom	ASTUK	60.00 %	60.00 %
INTLB	Interinvest Holding SAL, Lebanon	NAG	95.00 %	95.00 %
ISPAIT	Admiral Pay Istituto di Pagamento S.r.l, Italy	ADRIT	100.00 %	100.00 %
IVGDE	Novo Immobilien Verwaltungsges.m.b.H., Germany	IKGDE	100.00 %	100.00 %
KOHANL	Casino Admiral Noordwijk B.V. (KOHA Noordwijk B.V.), Netherlands	CAHONL	100.00 %	100.00 %
KSBDE	Kurhessische Spielbank Kassel/BadWildungen Verwaltungs GmbH, Germany	SIMKDE	100.00 %	100.00 %
KWIKUK	Kwik Tan Ltd., United Kingdom	ASCGUK	100.00 %	100.00 %
LEISUK	Leisure Projects Ltd., United Kingdom	PLAYUK	100.00 %	100.00 %
NDSVDE	NOVO Data Solutions Verwaltungs GmbH, Germany	NDSKDE	100.00 %	100.00 %
NLSHGR	NLS Novomatic Lottery Solutions Hellas S.A., Greece	NLSAT	100.00 %	100.00 %
NOBEPL	NOVOBET.PL Sp.z.o.o., Poland	ATTPL	100.00 %	100.00 %
NOINPL	NOVO Investment PL Sp.z.o.o., Poland	ATTPL	100.00 %	100.00 %
NOLOLT	UAB Novoloto Vilnius, Lithuania	AZARLT	80.00 %	100.00 %
NOVGUK	Novomatic Gaming UK Ltd., United Kingdom	ASTUK	100.00 %	100.00 %
NOVOHN	Novo Gaming Honduras S.de R.L. de C.V., Honduras	NLAHES/HTM	99.95 % / 0.05 %	99.95 % / 0.05 %
NOVOZA	NOVOMATIC South Africa (Pty) Ltd., South Africa	AGISA	100.00 %	100.00 %
NSBSAT	NOVOMATIC Sports Betting Solutions GmbH, Austria	NAG	100.00 %	100.00 %
RLMSUK	RLMS Sales Ltd., United Kingdom	BELLUK	100.00 %	100.00 %
SBBVDE	Spielbank Berlin Verwaltungs GmbH, Germany	SBBKDE	59.50 %	100.00 %
SBEVDE	Spielbank Berlin Entertainment Verwaltungs GmbH, Germany	SBEKDE	60.00 %	100.00 %
SBMVDE	Spielbanken MV Verwaltungs-GmbH, Germany	SBMKDE	100.00 %	100.00 %
SIMDE	SIM Spielbanken Investitions- und Management GmbH, Germany	NAG	100.00 %	100.00 %
TECHAT	Technoconsult, technisches Büro, Gesellschaft m.b.H., Austria	SBPRU	100.00 %	100.00 %

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

Companies Consolidated Using the Equity Method

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

Exemption from disclosure for Group companies

The following German companies are included in NOVOMATIC AG's Consolidated Financial Statement as per IFRS as fully consolidated companies and avail themselves of the possibility of exemption from a disclosure of their financial statements as of December 31, 2018, as granted under Sec. 264 para 3 and Sec. 264 b of the German Commercial Code:

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

(14) Subsequent Events after the Balance Sheet Date

NOVOMATIC AG redeemed the bond (ISIN AT0000A0XSN7) with an issue volume of EUR 250 million and a final maturity at January 28, 2019, on time.

In March 2019, the sale of the shares in the Croatian companies to a related party was closed. Please refer to Note (8.15) for further information.

(15) Company Bodies

The following members of the Executive Board were appointed for the 2018 fiscal year and beyond:

Harald Neumann (CEO)
Dr. Christian Widhalm (Deputy Chairman of the Executive Board, CIO)
Ryszard Presch (COO)
Thomas Graf (CTO)
Peter Stein (CFO)
Bartholomäus Czapkiewicz (CSO since December 1, 2018)

In the 2018 fiscal year and during the time of preparation of this report, the Supervisory Board consisted of the following members:

Dr. Bernd Oswald (Chairman)
Martina Flitsch (Deputy Chairwoman)
Martina Kurz (member)
Barbara Feldmann (member)
Dr. Robert Hofians (member)

The current total remuneration of the members of the Executive Board of NOVOMATIC AG amounted to EUR 4.2 million (previous year: EUR 5.9 million). Of these expenses, severance payments and pensions of EUR -0.7 million (previous year: EUR 0.2 million) and EUR 0.7 million (previous year: EUR -0.3 million), respectively, were attributed to the Executive Board. The members of the Supervisory Board received EUR 0.3 million (previous year: EUR 0.5 million) for their work. Loans with 5 percent interest rate to the Executive Board members amounted to EUR 0.4 million. No advances or contingencies were granted to members of the Executive Board in the 2018 fiscal year.

(16) Publication

The present Consolidated Financial Statement was released on April 17, 2019, by the Executive Board for examination by the Supervisory Board, for presentation at the general shareholders' meeting, and for subsequent publication.

Gumpoldskirchen, April 17, 2019

The Executive Board of NOVOMATIC AG

Harald Neumann

Chairman, CEO

Dr. Christian Widhalm

Deputy Chairman, CIO

Ryszard Presch

Chief Operations Officer

Thomas Graf

Chief Technology Officer

Peter Stein

Chief Financial Officer

Bartholomäus Czapkiewicz

Chief Systems Development Officer

Statement by the Executive Board

We confirm that to the best of our knowledge, the consolidated financial statement of NOVOMATIC AG as of December 31, 2018, gives a true and fair view of the net assets, financial position and results of operations of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and that the consolidated management report as of December 31, 2018, gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties which the Group faces.

We confirm that to the best of our knowledge, the annual financial statement of NOVOMATIC AG as of December 31, 2018, gives a true and fair view of the net assets, financial position and results of operations of the company as required by the Austrian Commercial Code (UGB), and that the management report as of December 31, 2018, gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties which the company faces.

Gumpoldskirchen, April 17, 2019

The Executive Board of NOVOMATIC AG

Harald Neumann
Chairman, CEO

Dr. Christian Widhalm
Deputy Chairman, CIO

Ryszard Presch
Chief Operations Officer

Thomas Graf
Chief Technology Officer

Peter Stein
Chief Financial Officer

Bartholomäus Czapkiewicz
Chief Systems Development Officer

NOVOMATIC AG

AUDITOR'S REPORT

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NOVOMATIC AG, Gumpoldskirchen, and its subsidiaries (the Group), comprising the consolidated statement of financial position as at December 31st, 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position of the group as at December 31st, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB.

Basis for Opinion

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

Key Audit Matters

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

Acquisition – Ainsworth Game Technology Limited, Australia

Description and Issue

On January 5th, 2018 approximately 52 % of Ainsworth Game Technology Limited ("Ainsworth") were acquired. In the course of the acquisition control was gained over the operation of Ainsworth and the acquired assets and assumed liabilities had to be identified and evaluated as of that date. For the valuation the company primarily used market prices and discounted cash flows based on the latest forecasts valid at acquisition date. For more information please refer to section "(5) Company Acquisitions in 2018" in the Notes. The identification and valuation of the assets and liabilities were based on significant management estimates. In addition, the underlying forecasts are subject to considerable uncertainties. Due to those facts and the significance of the

acquired assets and assumed liabilities for the consolidated financial statements of NOVOMATIC AG we identified the acquisition of Ainsworth as a key matter for our audit.

Our Response

We verified, that all significant assets and liabilities were identified and evaluated. We critically examined the assumptions underlying the forecasts, reviewed the calculation models used for the different assets and liabilities and conducted a plausibility check for the discount rates. Where market prices were used as valuation benchmarks, we verified those benchmarks with publicly available information and internal documents. We investigated the qualification of the valuation expert appointed by NOVOMATIC.

Valuation of assets – Gaming Technology – Ainsworth

Description and Issue

An impairment test of the goodwill recognized at the acquisition was performed as at December 31, 2018. In this impairment test the underlying forecasts had to be adopted, especially due to adverse developments in Ainsworth's core market "Australia". In comparison to the originally generated forecasts, the adoption led to a considerable reduction of projected earnings. This modification resulted in an impairment of 264.3 Mio EUR of the goodwill and the underlying assets. For more information please refer to section "(7.3) Impairments and Reversal of Impairments" in the Notes. The forecasts, underlying the impairment test are based on assumptions which are subject to considerable uncertainties, especially due to changes in the market environment. Because of this fact and the significance of the assets of Ainsworth for the consolidated financial statements we identified the valuation of those assets as a key matter for our audit.

Our Response

We critically examined the assumptions underlying the forecasts and reviewed the calculation model. To verify the discount rates used, we predetermined plausible ranges, and used them as benchmarks. Additionally, we examined the allocation of the depreciation value which exceeded the goodwill to the remaining assets.

Valuation of assets – Gaming Operations / Technology – Germany

Description and Issue

The German "Glücksspieländerungsstaatsvertrag" and the supplemental regulations issued by the federal states led to a significant reduction of gaming arcades and concessions. This development resulted in a considerable decline of the number of operated gaming machines in Germany. It is assumed, that this number will decrease further in the next couple of years. In addition, in 2018 new regulations became effective, which require technical adoptions of the gaming machines.

Accordingly significant investments in new machines and modifications of existing gaming machines were necessary in the business unit "Gaming Technology – Germany", which led to a considerable increase of the carrying amount of those machines. In a first step, to identify the necessity of an impairment, those components and gaming machines were identified which were assumed obsolete. Those machines which will be rented in the upcoming years were pooled in a valuation unit and compared to its net value of future discounted cash flows. For some gaming machines useful life was reduced and the corresponding scheduled depreciation adopted accordingly.

The developments of the business unit "Gaming Operations – Germany", showed that the new gaming machines were not accepted by the market as expected which led to declining cash inflows for the self-operated gaming arcades in Germany. As a result of these developments an impairment test as at December 31st, 2018 was performed for all gaming arcades in Germany and necessary impairments and provisions for future losses were recorded.

For more information please refer to section "(7.3) Impairments and Reversal of Impairments" in the Notes. The forecasts, underlying the impairment test were, among other things, based on projections regarding the number of operated gaming arcades, the number of operated gaming machines as well as projected cash inflows per gaming machine. As these projections are subject to considerable uncertainties and due to the fact that the affected assets are material for the consolidated financial statements we identified the valuation of those assets as a key matter for our audit.

Our Response

We critically examined the assumptions underlying the forecasts and reviewed the calculation model. To verify the discount rates used we predetermined plausible ranges, and used them as benchmarks. For the business unit "Gaming Operations – Germany" we additionally analyzed whether, beside recorded impairments, the provisions for future losses were recorded sufficiently. For the business unit "Gaming Technology – Germany", we verified if all obsolete gaming machines and components were identified and impaired accordingly, and, if the useful life reductions were recorded adequately.

Other Information

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

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

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

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

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

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

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

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

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

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

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

We also:

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

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

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

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these

matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Consolidated Management Report

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

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

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

Opinion

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

Statement

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

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

We were appointed by the annual general meeting on June 12th, 2018 and commissioned by the supervisory board on August 28th, 2018 to audit the consolidated financial statements for the financial year ending December 31st, 2018. We have been auditing the Group uninterrupted since the financial year ending December 31st, 2004.

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

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

Vienna, April 17th, 2019

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Christoph Waldeck m.p.
Certified Public Accountant

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

SUPERVISORY BOARD REPORT NOVOMATIC AG

for the fiscal year 2018



The Supervisory Board held five meetings during the 2018 fiscal year in which the Executive Board reported on business policy, and the Supervisory Board discussed, in detail, business developments and the position of the company, including all material Group companies. In addition, the Supervisory Board auditing committee received reports from the Executive Board and the auditor in four meetings. The Supervisory Board also received reports in three meetings, as part of its CR Committee, regarding the company's non-financial activities.

The consolidated financial statement from the 31.12.2018 and the Executive Board Group management report have been examined in regards to accounting by Deloitte Audit Wirtschaftsprüfungs GmbH, who have issued an unqualified

audit opinion. The examination of the consolidated financial statements by the Supervisory Board did not give rise to any objections.

The legal representatives of the company have also issued a special consolidated non-financial report that was checked by the Supervisory Board. No complaints were noted. The auditor provided a report regarding the audit of selected non-financial performance indicators and topics as well as of the information required by Sec. 267a para. 6 of the Austrian Commercial Code (UGB) in conjunction with Sec. 267a paras. 2 to 5 of the Austrian Commercial Code in the consolidated non-financial report for 2018, from which no complaints emerged.

The Supervisory Board acknowledges and thanks the Executive Board and all employees of NOVOMATIC AG's companies for their work during the financial year of 2018.

Gumpoldskirchen, April 2019

The Supervisory Board

Dr. Bernd Oswald

(Chairman)



INDIVIDUAL
FINANCIAL
STATEMENT

NOVOMATIC AG MANAGEMENT REPORT

Details on the 2018 Annual Financial Statement, NOVOMATIC AG, Gumpoldskirchen

1. Purpose of the Business and Strategy

The NOVOMATIC¹ Group is a globally operating, integrated gaming technology and entertainment group with more than 35 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, manufactures and sells gaming products, lottery technologies and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC Group furthermore operates around 2,200 gaming facilities, which include casinos, slot arcades, sports betting outlets and bingo facilities.

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

NOVOMATIC's integrated strategy as a manufacturer of state-of-the-art gaming equipment as well as an operator of gaming facilities has contributed considerably to the company's success since its establishment. With this 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 products in a goal-oriented manner.

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

2. Economic Conditions

Macroeconomic Development

Stable growth: After a global economic growth forecast of 3.9 percent² in April 2018, the economists of the International Monetary Fund (IMF) corrected their forecast for 2018 to 3.7 percent³ in October 2018 and confirmed this growth in their World Economic Outlook (WEO) update in January 2019⁴. With this increase, the global economic growth is at the same level as in the previous year (2017). The reasons for the stagnating growth include newly implemented tariff barriers to trade, geopolitical tensions and increasingly unfavorable financing conditions.

Economic growth in the euro region fell significantly short of expectations in 2018. The 2.4 percent growth forecast by the IMF in April 2018 was revised to 1.8 percent in January 2019, when the WEO update was revised. Germany's weaker production output as a result of new emission standards as well as generally lower demand and high borrowing costs in Italy are seen by IMF economists

¹ In this management report, the terms "Group" and "NOVOMATIC Group" refer to the group of consolidated companies included in the consolidated financial statement for NOVOMATIC AG, the term "NOVOMATIC AG" however refers to the individual company.

² According to the World Economic Outlook, April 2018 provided by the International Monetary Fund (IMF)

³ According to the World Economic Outlook, October 2018 provided by the IMF

⁴ According to the World Economic Outlook Update, January 2019 provided by the IMF

as just as decisive for this as the continuing protests in France. Despite employment growth and higher consumer spending, the volume of imports in the eurozone also declined after a year of strong imports in 2017. While the low key interest rate is expected to remain unchanged until summer 2019, the European Central Bank (ECB) stopped its bond-buying program in December 2018, which prompted banks to grant more loans.

The Austrian economy was able to take the positive momentum of the previous year with it. According to estimates by the European Commission, GDP growth will be 2.7 percent⁵ in 2018, slightly higher than in 2017 (2.6 percent⁶). This is primarily attributed to strong domestic demand, which benefits from attractive labor market developments, a falling unemployment rate to 4.8 percent and rising salaries. Rising exports, especially from the first half of the year, are also driving growth and are expected to settle at 4.6 percent, relatively unchanged from 2017 (4.7 percent). The European Commission expected GDP growth to slow in the second half of 2018, mainly as a result of external influences.

Development of the Gaming Market

Global gaming revenues rose again in 2018, reaching USD 453 billion, according to the Global Gambling Report (GGR) of Global Betting and Gaming Consultants (GBGC). This is an increase of 3.9 percent over the previous year. The casino and lottery sectors again achieved the highest growth this year, with 6.4 percent and 6.0 percent, respectively, compared to 2017.

The fall of Macao's gambling monopoly in 2002 made the Asia-Pacific region the most important gaming metropolis in the world. However, campaigns by the People's Republic of China to combat corruption and money laundering resulted in massive slumps in 2015, from which the market was able to stabilize in the following years. With a gross gambling yield (GGY) of USD 172.9 billion in 2018, it is close to its 2014 peaks, representing an increase of 6.8 percent over the previous year.

At 5.9 percent, the Latin American gaming market continues to show the highest average growth rate worldwide (2018 to 2022). In particular, the lottery and gaming equipment sectors outside casinos (video lottery terminals, fixed odds betting terminals, and classic AWP⁷ equipment) show strong potential with 7.0 percent and 7.8 percent, respectively. Gaming revenues increased by 4.8 percent against the previous year. In absolute terms, however, Latin America remains subordinate to the other regions. With a GGY of USD 26.1 billion in 2018, the market accounts for only 5.8 percent of global gaming revenues.

Gross gaming revenues in the North American gaming market amounted to USD 132.3 billion in 2018, representing a growth of 2.9 percent. The gaming devices sector outside of casinos and lottery also achieved a significant increase of 3.4 percent, respectively, in this market. The casino sector accounts for 57.5 percent of the total volume of the market and is divided into commercial casinos (USD 42.7 billion) and tribal casinos (USD 33.4 billion) operated by Native Americans. For the average growth between 2018 and 2022, the GGR predicts the weakest average increase (2.4 percent) of all gaming markets to be the US gaming market.

In the combined European/African gaming market, gaming revenue of USD 139.6 billion was achieved in 2018. The lottery sector represents the highest revenue at USD 39.9 billion and increased its share of total revenues by USD 1.6 billion compared to 2017. The gaming devices sector outside casinos continues to be the sector with the second-highest revenues in Europe/Africa but is expected to lose 8.1 percent of revenues in 2018, partly due to changes in the legal framework. According to the GBGC report, the European/African market will record an increase in revenue of 0.9 percent against the previous year. Nevertheless, average growth from 2018 to 2022 is expected to be around 2.8 percent.

According to the GBGC, global online gaming revenues will reach USD 48.61 billion in 2018, representing 10.7 percent of global gross gaming revenues. Despite steady growth, the growth rates of the last five years (3.7 percent) cannot tie in with the previous five years (9.1 percent) and now show a stable annual change of around 11 percent.

⁵ According to the Winter 2019 Economic Forecast for Austria of the Directorate-General for Economic and Financial Affairs (DG ECFIN) of the European Union

⁶ According to the Autumn 2018 Economic Forecast for Austria of DG ECFIN of the European Union

⁷ Amusement with prizes

3. Business Performance

General business development in the reporting period

For NOVOMATIC AG, 2018 was characterized in particular by the registration of the merger of NOVOMATIC Gaming Industries GmbH into NOVOMATIC AG on October 5, 2018, with retroactive effect from December 31, 2017. For this reason, the management report does not compare the figures with those of the previous year due to their lack of informative value and only lists individual items where they can be compared.

There were two major one-off effects in 2018. Initially – as already started in 2017 – there was a considerable demand for corresponding equipment in Germany as of November 11, 2018, as a result of the legally prescribed conversion to Technical Guideline 5.0, which led to high sales revenues. In addition, the previous license agreement with an Italian group of company was terminated by means of a one-time payment, which led to unusually high license revenues.

Acquisitions of interests in companies and other important events

On the one hand, the objective of acquisitions is to achieve or solidify a leading position in existing markets and technologies. On the other hand, acquisitions support the pursuit of NOVOMATIC's strategy to develop new markets so as to achieve further diversification for the Group and thus create the basis for sustainable future growth.

The acquisition of around 52 percent of the shares in Ainsworth Game Technology Ltd. (Ainsworth), 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 headquarters in Newington and Sydney, as well as global locations in both North and South America. The company was founded by Len Ainsworth in 1995 and is a leading producer and provider of high-quality, innovative gaming solutions in Australasia as well as North and South America. This acquisition is of major strategic importance for NOVOMATIC as it paves the way to access the enormously important North American market, a region with almost one million operated gaming machines. Ainsworth is a major provider in gaming-enthusiastic Australia and has a strong presence in the Latin American market. The agreed purchase price is AUD 473.3 million.

Moreover, during the financial year 2018, several smaller operators of gaming facilities in Germany, the Netherlands, Italy, Spain, and Eastern Europe were acquired, especially with the business purpose of operating gaming halls, bars, and bingo. With these acquisitions, the Group is enhancing its market position in some of Europe's core markets.

At the end of June, an investment with a majority stake in the United Kingdom was sold since this investment did not meet the previous economic expectations. At the end of the year, the decision was also taken to sell the Croatian investments.

EARNINGS POSITION

EUR m	2018
Revenues	534.4
Inventories movement	4.7
Capitalized services	7.6
Other operating incomes	9.2
Cost of material and other purchased services	-288.5
Personnel costs	-91.6
Total other operating expenses	-88.6
EBITDA	87.1
EBITDA margin	16.3%
Depreciation and amortization	-24.5
Operating profit (EBIT)	62.6
EBIT margin	11.7%
Financial result	-292.0
Earnings before taxes	-229.4
Income tax	0.1
Increase in net assets through merger	627.7
Annual profit	398.4

In the 2018 fiscal year, revenues reached EUR 534.4 million. The largest share was generated by sales revenues of EUR 371.8 million. These again comprise EUR 156.8 million from gaming machines, EUR 183.7 million from construction/conversion kits and spare parts, EUR 15.9 million from large devices, and EUR 15.4 million from other merchandise.

The cost of materials and other purchased services amounted to EUR 288.5 million, putting the cost of materials ratio at 54.0 per cent. The purchased services included development expenses of EUR 42.7 million.

Personnel costs amounted to EUR 91.6 million. The average headcount during the fiscal year was 1,217 (no inactive employee – and accordingly 1,117.3 FTE). The personnel costs included salary adjustments under collective bargaining agreements as well as voluntary increases.

Other operating expenses included mainly advertising costs of EUR 14.6 million, other services received of EUR 8.7 million, and legal, auditing and consulting expenses of EUR 10.6 million.

The financial result included, on the income side, incomes from investments of EUR 37.5 million, incomes from other securities and loans of EUR 13.9 million, and other financial incomes of EUR 3.1 million. On the expense side, expenses from financial assets and securities held as current assets of EUR 307.6 million were major items. These expenses incurred mainly from the write-downs of the investment in participations amounting to EUR 288.3 million. The major write-down was related to Ainsworth Game Technology Ltd. The profitability of the Australian subsidiary has worsened in various markets since the acquisition in 2018. After evaluating the long-term earnings outlook, and especially due to the current performance situation in the core market "Australia and others," the investment in this subsidiary was impaired by EUR 181.2 million. The negative effects from the business development were also reflected in the share price, which at the end of the year decreased by 62.9% from January 5, 2018 (the closing date). Further significant write-downs related to Novomatic Gaming Spain S.A. (EUR 43.8 million), Novomatic Peru S.A.C. (EUR 19.6 million) and Novo Gaming d.o.o. (EUR 13.6 million). In addition, interest and other financial expenses of EUR 38.9 million contributed to these expenses.

The extensive write-downs on financial assets resulted in a negative earnings before tax.

Net Assets

BALANCE SHEET

Condensed Version

EUR m	12/31/2018	Merger balance sheet 1/1/2018
Fixed assets	2,159.5	2,089.8
thereof intangible assets	5.9	6.6
thereof property, plant and equipment	152.5	158.8
thereof financial assets	2,001.2	1,924.4
Current assets	541.2	833.9
thereof inventories	113.1	99.2
thereof receivables and other assets	402.0	335.0
thereof securities and interests	2.7	10.2
thereof cash and bank deposits	23.4	389.4
Prepaid expenses	9.9	11.4
Deferred tax assets	0.0	3.6
ASSETS	2,710.7	2,938.8
Shareholders' equity	569.6	818.8
thereof share capital	26.6	26.6
thereof reserves	303.4	303.4
thereof retained profits/result from merger	239.6	488.8
Provisions	61.5	75.0
Liabilities	2,079.6	2,044.8
thereof bonds	950.0	950.0
thereof liabilities due to banks	862.3	882.7
thereof advance payments received	0.1	4.8
thereof trade payables	23.3	19.6
thereof payables to affiliated companies	224.1	168.0
thereof other liabilities	19.9	19.7
Deferred income	0.0	0.1
SHAREHOLDERS' EQUITY AND LIABILITIES	2,710.7	2,938.8

Fixed assets increased from EUR 2,089.8 million to a total of EUR 2,159.5 million against the merger balance sheet. This change was largely attributable to increases in the area of financial assets. The largest individual item of the acquisitions is the investment in Ainsworth Game Technology Ltd.

Current assets decreased from EUR 833.9 million in the previous year to EUR 541.2 million. This is mainly due to a decline in cash and cash equivalents in connection with the aforementioned acquisition and offset by an increase in receivables from affiliated companies of EUR 81.0 million.

The company's equity capital remained unchanged at EUR 26.6 million. The reserves contain tied reserves from the merger of approximately EUR 216.4 million. The change in equity resulted primarily from current income and profit distribution. Equity's share of total capital now amounts to 21.0 percent, compared to 27.9 percent in the previous year.

While provisions went down from EUR 75.0 million to EUR 61.5 million, liabilities showed an increase. Payables to affiliated companies increased from EUR 168.0 million to EUR 224.1 million, mainly due to higher cash pooling liabilities, while liabilities due to banks decreased by EUR 20.5 million to EUR 862.3 million.

During the past financial year, NOVOMATIC AG's balance sheet total fell from EUR 2,938.8 million to EUR 2,710.7 million.

Financial Position

EUR m	2018
Cash flow from operating activities	-1.3
Cash flow from investing activities (excluding acquisitions)	122.1
Free cash flow before acquisitions	120.8
Cash flow from acquisitions	-506.1
Free cash flow after acquisitions	-385.3
Cash flow from financing activities	19.3
Net change in cash and cash equivalents	-366.0

Investments in Intangible Assets, and Property, Plant and Equipment

Investments in intangible assets, and property, plant and equipment came to a total of EUR 20.6 million in 2018. The largest items here are gaming devices manufactured mostly in-house, the fleet of vehicles, as well as furniture and office equipment.

Investments in Financial Assets (Acquisitions)

The largest direct investments made by NOVOMATIC AG concern Ainsworth Game Technology Ltd., Giochi San Marino S.p.A., Crown Gaming Mexico S.A. de C.V., NOVOMATIC Peru S.A.C., and NOVOMATIC Italia S.p.A.

Financing

In January 2018, the revolving credit facility of EUR 1 billion that 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. This credit line was concluded with a syndicate of international banks and serves not only for general corporate financing but also for financing company acquisitions. The usage of the credit line as at December 31, 2018, amounted to EUR 200 million.

The promissory note loan of EUR 2.0 million issued in December 2011 was repaid as agreed on December 1, 2018.

In December 2018, a syndicated OeKB equity financing in the amount of EUR 250 million was also concluded. After a grace period of two years, the loan will be repaid in semi-annual installments until December 2025. The funds from the loan were earmarked and used for the partial refinancing of the purchase price of the shares in Ainsworth Game Technology Ltd.

For financial 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.

The beginning balance of the cash and cash equivalents included the balance from NOVOMATIC AG and the merged entity, Novomatic Gaming Industries GmbH.

Selected Key Figures

		12/31/2018	1/1/2018
Earnings before tax	EUR m	-229.4	
Minus interest expenses	EUR m	-38.9	
Earnings before interest and tax (EBIT)	EUR m	-190.5	
Return on equity (EBIT/equity)	[%]	-33.4	
Profit margin (EBIT/revenues)	[%]	-35.7	
Return on assets (EBIT/total assets)	[%]	-7.0	
Net debt (Interest bearing debts minus cash and cash equivalents)	EUR m	2.010.0	
Net working capital (current assets minus current liabilities)	EUR m	-23.6	
Asset structure (fixed assets/total assets)	[%]	79.7	71.1
Equity ratio (equity/total assets)	[%]	21.0	27.9
Asset coverage (equity/fixed assets)	[%]	26.4	39.2
Inventory turnover (inventory x 365/total operating performance)	[days]	74.2	
Material usage ratio (material usage/sales revenue)	[%]	53.9	
Personnel cost ratio (personnel costs/total operating performance)	[%]	16.5	

The reduction of the equity base (due to the development of earnings) is reflected in the development of capital ratios. The key earnings figures are negative due to the high expenses from financial assets.

4. Non-Financial Performance Indicators

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

5. Prospective Development of the Company

NOVOMATIC AG, as a sole proprietorship and industrial enterprise, anticipates a significant decline in revenues in 2019. On the one hand, this is due to lower sales revenues, as demand from the German market was exceptionally high in 2018 due to the switch to the Technical Guideline 5.0. In addition, there will be a decline in license income as the license agreement with a subsidiary in Italy was terminated with a one-time payment in 2018. This cannot be offset by the expected increase in license revenues from the Austrian operating companies. With a moderate increase in personnel costs, a decrease in other operating expenses and a stable depreciation and amortization, as well as a virtually unchanged financial result, the results from ordinary activities will therefore decline.

6. Risk Management

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

Risk Management System

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

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

For continued monitoring of the risk and opportunity situation and to ensure active controlling, the risks and opportunities are assigned to the responsible individuals within the individual corporate areas and Group companies. It lies within the responsibilities of the risk officers to define and implement measures aimed at dealing with the individual risks and/or at seizing opportunities, to document emergent risks and opportunities, and to perform reassessments of the identified opportunities and risks at regular, defined intervals. Central risk management supports the individual areas in a consulting function and ensures the continuous updating and further development of the risk management system.

Compliance

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

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

The Group's compliance system is based on NOVOMATIC's Code of Conduct, a set of guidelines that is binding for all employees and all business areas. In the Code of Conduct, employees find guidelines and principles for value-based and lawful behavior during day-to-day business activities. This Code of Conduct also provides the basis for training activities related to integrity and compliance. Depending on the risk and target group, training sessions requiring personal attendance, as well as web-based training events, are held. An e-learning tool allows a large number of employees to be educated on issues such as data protection, property rights violations, and the fight against corruption.

The Code of Conduct provides the foundation for the Group-wide organization of compliance activities. Throughout the entire Group, there are designated contact persons for questions regarding the issues mentioned within the Code of Conduct. In addition to the Compliance Manager at NOVOMATIC AG, there are Local Compliance Officers at the Group companies who continuously report to the Group and thereby ensure that ethical and rule-abiding behavior is sustainably anchored throughout the entire company.

Significant Risks and Uncertainties

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

Business and Market Risks

NOVOMATIC AG's business is dependent on general economic conditions

There is a risk that a deterioration of general economic conditions, increasing unemployment, declining real incomes, and increased volatility in the capital markets, could have a significant negative impact on the asset, financial and earnings positions of NOVOMATIC AG.

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

NOVOMATIC AG operates in a highly technology-dependent field of business where new technologies are developed or used within short innovation cycles. There is a risk that NOVOMATIC may not recognize innovative technologies and developments at a sufficiently early stage.

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

NOVOMATIC AG generates the majority of its revenues in a limited number of markets. As these are relatively well-developed markets, further growth opportunities are rather limited. NOVOMATIC AG plans to expand its business activities in other markets, an effort for which considerable resources are being deployed. There is a risk that the anticipated growth in these countries and regions will not be realized, and/or that NOVOMATIC AG will not be successful in implementing its strategies there.

Personnel Risks

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

Legal and Geographic Risks

NOVOMATIC AG's international business entails economic, political, legal, and other risks

The NOVOMATIC Group conducts business in more than 70 countries. Some of these countries are politically or economically unstable, which subjects NOVOMATIC to certain risks. Social unrest or strikes could force the NOVOMATIC Group, and thus NOVOMATIC AG, to interrupt or halt its business activities.

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

Risks due to possible changes in gaming laws or taxation policy in the countries in which NOVOMATIC AG does business

NOVOMATIC AG operates on the basis of currently prevailing political, economic, legal, and fiscal conditions. NOVOMATIC AG is subject to the risk of changes to legal and taxation-related framework conditions. Changes that have already been adopted, in particular in connection with the German State Treaty on Gaming, the German Gaming Ordinance, changes in administrative practices, or even the possible additional prohibition of gaming machines or other restrictions in other jurisdictions, also have a sustained impact on NOVOMATIC AG's business activities. On an international level, for example, the increase in gaming taxes in Italy constitutes a risk to NOVOMATIC AG. Finally, it cannot be ruled out that betting laws in certain jurisdictions may be tightened for the purpose of player protection.

Risks due to the dependence on national licenses, regulations on competition, and statutory provisions regarding the operation of gaming and betting facilities, as well as risks due to the dependence on production, sales, and product licenses

In the countries where NOVOMATIC AG does business, the operation of gaming and betting facilities requires a license, concession, or other type of permission from the authorities in charge. Such licenses/concessions are usually granted for a limited period of time or in the form of license agreements with limited duration. Should no option for prolongation be provided or if an extension were only possible under economically unacceptable or untenable conditions or requirements, NOVOMATIC AG would need to participate in new tender procedures in order to recover such a license/concession.

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

Risks due to the possible tightening of regulatory measures

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

NOVOMATIC AG is subject to risks related to intellectual property

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

NOVOMATIC AG is also subject to the risk that third-party components included in its own products might violate certain intellectual property rights. In such cases, NOVOMATIC AG could be obligated to either not use said intellectual property rights or to pay considerable licensing fees to third parties. NOVOMATIC AG is also subject to the risk that third parties might acquire patents or other intellectual property in order to initiate actions for damages, etc.

The gaming industry is characterized by rapid technological development, which forces NOVOMATIC AG to continuously develop new products and enter new markets. NOVOMATIC AG's success, therefore, depends on its ability to continuously enhance the development of its products and systems in order to integrate new technologies and expand into new markets created by new technologies. Should certain technologies be protected by intellectual property rights held by third parties, including competitors, NOVOMATIC AG might not be able to offer certain products or expand into certain markets.

NOVOMATIC AG is subject to the risk of being unable to sufficiently protect its customer data

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

Financial risks and usage of financial instruments

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

The identification, analysis, and assessment of financial risks, as well as the decision on the use of hedging measures and the selection of the relevant hedging instruments in NOVOMATIC AG (with the exception of impairment risks), are generally performed and made by the Group Treasury department.

Relevant financial risks are monitored on a regular basis and, if necessary, collateralized via suitable measures and instruments (e.g. derivative financial instruments such as interest rate swaps and forward currency contracts) to reduce the risk resulting from the underlying transaction.

Control of financial risks is also supported by a treasury management system that is established in the industrial and bank sector.

NOVOMATIC AG is exposed to counterparty and default risks in connection with receivables

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

To screen the default risk for investments (bank balances, money market investments, capital market investments, securities) and for derivatives (positive market value of derivatives), NOVOMATIC AG monitors the limits, with the aim of evenly distributing funds and avoiding non-diversification risks. Each financial counterparty is assigned a credit rating (rating classification, CDS spreads, common equity tier 1 ratio) on a regular basis and a limit is assigned according to the rating class. In exceptional cases, where the pooling of balances is necessary for larger payments (for example, purchase price payment in the context of M&A transactions), the limits may be exceeded in the short term. If a transaction exceeds its limit, measures to meet the defined target figures are promptly initiated.

Apart from financing, NOVOMATIC AG is also exposed to counterparty credit risk in the area of sales, since customers might not fulfill their payment obligations in full or when they are due. The default risk is in some cases reduced via additionally demanded collateral such as received deposits or documentary letters of credit for exports. This applies in particular to new customers. Additionally, contractually secured reservations of title, advance payment in part or in full, direct debiting, and requiring shorter payment terms, further minimize the risk to which NOVOMATIC AG is exposed. Thanks to the high

number of external customers, there is currently no material concentration of default risk.

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

NOVOMATIC AG is exposed to foreign exchange risks

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

In order to limit foreign currency risks, the risk is calculated regularly on a rolling basis for business transactions made in foreign currencies or where the transaction price depends on foreign currencies. A net foreign currency position at the beginning of the planning period, planned foreign currency deposits and disbursements, and existing derivative hedging instruments are determined over the planning period, and relevant foreign currency risk is hedged using corresponding hedging transactions to mitigate the risk of exchange rate movements in future periods. An initial hedge for currency risk is provided through foreign currency items that are naturally self-contained (natural hedge), for instance, the payments received from deliveries and services in USD are balanced by payments made for deliveries and services in USD. For the remaining net foreign currency exposure, currency risk is usually hedged through forward currency contracts. With regard to exchange rate risks from the operating business, NOVOMATIC AG is currently, and in the medium term, in a USD net payer position due to the materials and merchandise that are purchased and invoiced in USD.

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

NOVOMATIC AG is exposed to interest rate risk

In the context of its financing and investment activities, NOVOMATIC AG is exposed to risk related to changes in interest rates. Interest rate fluctuations can have a positive or negative effect on the value of financial instruments (present value risk) as well as on the resulting cash flows (cash flow risk). For risk reasons, attention is paid to a balanced fixed interest rate balance sheet or a balanced mix of variable and fixed interest rates with short- and long-term interest rates in order to avoid non-diversification risks.

In order to limit interest rate risks, current interest rate developments are monitored on an ongoing basis and, if necessary, interest rate risks are hedged with suitable measures, including derivative instruments such as interest rate swaps. Due to the high share of fixed-interest liabilities in NOVOMATIC AG's financing portfolio, the cash flow risk due to increasing interest rates is limited.

NOVOMATIC AG is exposed to liquidity risk

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

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

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

Due to the high level of cash and cash equivalents and the revolving utilizable credit lines, on-time payment of the liabilities is guaranteed at all times.

NOVOMATIC AG is exposed to capital market risks

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

NOVOMATIC AG is exposed to impairment risks in connection with investment valuations

NOVOMATIC AG is exposed to the risk that the earning power of its shareholdings may decline compared to current assumptions. Major risks arise due to the dynamic market environment in the various regions. The most substantial risk factor in this context is changes in the legal framework for the operation of gaming activities. The underlying assumptions on long-term earnings power are based on the findings of current jurisprudence and management's estimates of future developments in this context.

If changes in the current framework conditions have a lasting negative impact on profitability, the investments concerned must be written down.

7. Important Features of the Internal Control and the Risk Management System Relevant to the Financial Reporting Process

Control Environment

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

Risk Assessment

To avoid material misstatements in the presentation of transactions, analyzes are carried out during the year based on the risks described above to prevent any misrepresentations in the ongoing accounting process.

As part of the financial statements preparation, the interim analyzes are re-evaluated to ensure that all risks are properly accounted for in the financial statements.

Control Activities

Multi-level quality assurance measures have been implemented with the objective that, based on the risks described above, the individual transactions are correctly captured in the financial statements. These measures include automated controls within the

accounting software as well as manual controls performed by employees of the subsidiaries and employees of the accounting department.

Finally, the accounting department carried out comprehensive plausibility and data quality checks in several stages. They are designed to ensure that the data underlying the transactions is properly recorded for the purpose of preparing the financial statements.

In addition, the accounting department engages external service providers for some topics that require specialists, such as the valuation of pension obligations and the entitlement of severance pay.

Any changes in the accounting and valuation methods are checked for regulatory compliance.

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

Information and Communication

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

The Executive Board itself informs the Supervisory Board on a quarterly basis regarding the development of the company as a whole as well as the development of the individual business areas.

Monitoring

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

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

8. Research and Development

Thanks to its numerous technology centers, the NOVOMATIC Group is a pioneer in the development of innovative products and system solutions in the area of gaming. The Group's development activities focus both on "Distributed Gaming Solutions" and on gaming content and application software. The developed software system solutions include management information systems, ticketing and smart card systems, access systems, video lottery systems, biometric player recognition, links to government regulators, player protection programs, "gaming as a service", online and mobile gaming system solutions, jackpot systems, multiplayer and community gaming systems, as well as tournament systems. Both the modular software architecture and the various developments' interoperability are crucially important.

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

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

Linked Progressive Jackpots further expand the range of games on offer, as can be seen very clearly from the example of "Enchanted Fortunes Linked Jackpot". NOVOMATIC is also represented in the branded games sector by licensing films such as "From Dusk Till Dawn", "Batman", "Austin Powers", and "Sherlock Holmes", as well as series such as "MacGyver".

Development is supported by hardware and software development teams in Austria, Germany, the United Kingdom, Iceland, the Netherlands, Spain, Russia, Argentina, Canada, and Poland, working either in-house or related to the Group, as well as by exclusive partnerships with developers in Slovenia, Greece, the USA, and Australia.

The global importance of intellectual property protection is on the rise. With approx. 4,000 registered IP trademarks and in excess of 100 registrations per year, special attention is paid to this area. The Group is constantly developing new products and product variations, resulting in over 200 new gaming variants per year. With the help of the software development kit (SDK), it is possible to add games developed by third parties (who use this SDK) to the portfolio immediately.

NOVOMATIC's innovative strength receives frequent public recognition in the form of awards.

9. Acknowledgements

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

Gumpoldskirchen, March 22, 2019

Harald Neumann
Chairman of the Board of
Management, CEO

Dr. Christian Widhalm
Deputy Chairman,
Chief Investment Officer, CIO

Ryszard Presch
Chief Operating Officer, COO

Thomas Graf
Chief Technology Officer,
CTO

Peter Stein
Chief Financial Officer,
CFO

Bartholomäus Czapkiewicz
Chief Systems Development Officer,
CSO

NOVOMATIC AG

BALANCE SHEET

as of December 31, 2018

Assets

A. Fixed assets	12/31/2018	12/31/2017
	EUR	KEUR
I. Intangible Assets		
1. Concessions, industrial property rights and similar rights and benefits and licenses derived therefrom	3,753,017.28	3,258
2. Advance payments	2,149,014.14	0
	5,902,031.42	3,258
II. Property, plant and equipment		
1. Land, buildings and improvements to third-party buildings	122,234,432.43	125,820
2. Plant and machinery	16,651,210.69	73
3. Other equipment, plant and office equipment	13,323,386.85	1,770
4. Advance payments and tangible assets in course of construction	278,157.61	45
	152,487,187.58	127,708
III. Financial assets		
1. Shares in affiliated companies	1,497,752,138.19	951,490
2. Loans to affiliated companies	380,317,993.26	267,899
3. Investments	24,175,444.55	24,175
4. Loans to associated companies	428,009.41	547
5. Securities held as fixed assets	93,957,904.32	94,705
6. Other loans	4,527,014.52	4,243
	2,001,158,504.25	1,343,059
	2,159,547,723.25	1,474,025
B. Current Assets		
I. Inventories		
1. Raw materials consumables and supplies	51,660,759.93	0
2. Work in progress	19,010,003.60	0
3. Finished goods and commodities	39,199,048.03	0
4. Advance payments	3,199,142.61	0
	113,068,954.17	0

II. Receivables and Other Assets

1. Trade receivables thereof with a remaining term of more than one year EUR 1,757,908.33 (previous year: KEUR 0)	24,386,990.87	177
2. Receivables from affiliated companies thereof with a remaining term of more than one year EUR 11,507,719.51 (previous year: KEUR 0)	316,755,069.93	285,374
3. Other receivables and assets thereof with a remaining term of more than one year EUR 33,647.10 (previous year: KEUR 66)	60,875,498.67	62,196
	402,017,559.47	347,747
III. Securities and interests	2,745,565.53	10,245
IV. Cash, bank deposits	23,399,401.18	358,079
	541,231,480.35	716,071
C. Prepaid expenses and accruals	9,931,553.59	8,124
	2,710,710,757.19	2,198,220

EQUITY AND LIABILITIES

A. Equity	12/31/2018	12/31/2017
	EUR	KEUR
I. Requested and paid-up share capital	26,590,000.00	26,590
II. Capital Reserves Appropriated capital reserves	85,386,371.00	85,386
III. Retained Earnings		
1. legal reserve	1,623,629.00	1,624
2. Tied-up reserves from the merger	216,400,000.00	0
3. Other reserves (free reserves)	15,395.39	15
	218,039,024.39	
IV. Retained profits there of profit carryforward EUR 57,541,488.97 (previous year: KEUR 61,172)	239,552,707.68	77,542
	569,568,103.07	191,157
B. Provisions		
1. Provisions for severance payments	10,130,147.00	1,958
2. Provisions for pensions	8,065,680.00	7,300
3. Provisions for taxes	5,643,614.41	248
4. Other provisions	37,667,192.02	13,109
	61,506,633.43	22,615
C. Liabilities		
thereof with a remaining term of up to one year EUR 531,248,054.11 (previous year: KEUR 171,852)		
thereof with a remaining term of more than one year EUR 1,548,387,966.58 (previous year: KEUR 1,812,591)		
1. Bonds thereof with a remaining term of up to one year EUR 250,000,000.00 (previous year: KEUR 0) thereof with a remaining term of more than one year EUR 700,000,000.00 (previous year: KEUR 950,000)	950,000,000.00	950,000
2. Due to banks thereof with a remaining term of up to one year EUR 28,379,781.75 (previous year: KEUR 20,480) thereof with a remaining term of more than one year EUR 833,875,000.00 (previous year: KEUR 862,247)	862,254,781.75	882,726
3. Prepayments on orders received thereof with a remaining term of up to one year EUR 67,081.29 (previous year: KEUR 0)	67,081.29	0
4. Trade payables thereof with a remaining term of up to one year EUR 23,268,154.33 (previous year: KEUR 1,708)	23,268,154.33	1,708
5. Payables to affiliated companies thereof with a remaining term of up to one year EUR 210,079,304.80 (previous year: KEUR 133,252) thereof with a remaining term of more than one year EUR 14,032,246.58 (previous year: KEUR 342)	224,111,551.38	133,594

6. Other liabilities		
thereof with a remaining term of up to one year		
EUR 19,453,731.94 (previous year: KEUR 16,413)		
thereof with a remaining term of more than one year		
EUR 480,720.00 (previous year: KEUR 3) thereof from taxes		
EUR 300,461.55 (previous year: KEUR 28) thereof social security		
EUR 2,145,731.96 (previous year: KEUR 44)	19,934,451.94	16.415
	2,079,636,020.69	1.984.443
D. Prepaid expenses and accruals	0.00	5
	2,710,710,757.19	2.198.220

NOVOMATIC AG

PROFIT AND

LOSS ACCOUNT

For the period from January 1 to December 31, 2018

	01–12/2018	01–12/2017
	EUR	KEUR
1. Sales	534,350,132.37	78,464
2. Changes in inventories of finished goods and work in progress	4,724,875.07	0
3. Other own work capitalized	7,593,489.69	0
4. Other operating income		
a. Income from the disposal of and additions to fixed assets, excluding financial assets	945,241.71	0
b. Income from the release of provisions	110,321.43	174
c. other	8,176,378.38	2,281
	9,231,941.52	2,455
5. Expenses for material and other purchased manufacturing services		
a. Cost of material	-230,516,292.08	0
b. Cost of purchased services	-58,016,348.93	-353
	-288,532,641.01	-353
6. Personnel expenses		
a. Wages	-9,216,923.28	0
b. Salaries	-61,752,446.48	-5,009
c. Social expenses		
aa. Pension expenses	-724,586.70	345
bb. Expenses for severance payments and contributions to external severance payments funds	-388,333.22	-200
cc. Cost of statutory social security, payroll-related taxes and mandatory contributions	-17,340,461.74	-380
dd. Other	-2,194,510.54	-53
	-20,647,892.20	-288
	-91,617,261.96	-5,297
7. Amortization and depreciation		
of intangible assets and of tangible assets thereof extraordinary depreciation EUR 0.00 (previous year: KEUR 798)	-24,511,841.21	-14,028
8. Other operating expenses		

a. Taxes not included in line 18	-1,049,162.43	-169
b. Other	-87,593,639.70	-82,215
	-88,642,802.13	-82,384
9. Subtotal of lines 1 to 8 (Operating profit)	62,595,892.34	-21,143
10. Investment income thereof from affiliated companies EUR 30,295,835.08 (previous year: KEUR 208,947)	37,469,560.04	215,599
11. Income from other investments and long-term loans thereof from affiliated companies EUR 13,060,982.11 (previous year: KEUR 7,960)	13,917,758.55	8,778
12. Other interest and similar income thereof from affiliated companies EUR 1,930,291.25 (previous year: KEUR 301)	2,454,608.74	1,322
13. Income from the disposal of and the appreciation to financial assets	642,413.57	12,940
14. Expenses from financial assets and securities held as current assets a. Depreciation EUR -302,483,279.97 (prev. year: KEUR -121,359) b. Expenses from affiliated companies EUR -299,034,252.68 (previous year: KEUR -146,880)	-307,586,358.19	-149,564
15. Interest and similar expenses thereof from affiliated companies EUR -371,914.82 (previous year: KEUR -170)	-38,854,560.11	-45,262
16. Subtotal of lines 10 to 15 (Financing result)	-291,956,577.40	43,813
17. Earnings before tax (Subtotal of lines 9 and 16)	-229,360,685.06	22,670
18. Taxes on Income thereof tax apportionment EUR 4,866,067.74 (previous year: KEUR 1,352) thereof deferred taxes EUR - 3,643,915.00 (previous year: KEUR -7,317)	85,124.37	-6,300
19. Increase in net assets through merger	627,686,779.40	0
20. Earnings after taxes = Net income of the year	398,411,218.71	16,370
21. Allocation to appropriated retained earnings from the merger	-216,400,000.00	0
22. Profits carried forward from previous year	57,541,488.97	61,172
23. Retained profits	239,552,707.68	77,542

NOTES

for the 2018 fiscal year

I. ACCOUNTING AND VALUATION PRINCIPLES

The accounting principles of the Austrian Commercial Code as amended have been applied to these financial statements as of December 31, 2018.

The annual accounts were prepared in compliance with the relevant requirements and generally accepted accounting principles to present a true and fair view, in all material respects, of the net asset and of the financial and earnings position of the company.

The principles of completeness and non-arbitrariness were applied. Valuation followed the principles of adequate and orderly accounting as well as the going concern assumption, and was based upon the valuation principles applied to last year's annual accounts, unless changes in the valuation principles are explicitly stated for individual items. Assets and liabilities were assessed individually as of the balance sheet date.

In accordance with the principle of prudence, only profits realized as of the balance sheet date are shown, and all apparent risks and impending losses that incurred during the current period or in previous periods were considered.

The profit and loss account was prepared according to the total expenditure format. Items of the balance sheet or the profit and loss account showing a zero balance for the current and the previous period were not listed in accordance with Sec. 223 para 7 of the Austrian Commercial Code.

The intangible assets, only if acquired against payment, as well as the property, plant and equipment were stated at cost of acquisition or production less the scheduled depreciation corresponding to the expected useful life and less any potentially necessary extraordinary depreciation. Low-value assets with a cost of acquisition less than EUR 400.00 are fully depreciated in the year of acquisition or manufacture.

In principle, inventories were valued at acquisition or production cost. In the event of a lower fair value due to economic or technical impairments, such lower fair value was applied.

Receivables and other assets were stated at nominal value less necessary allowances, discounts for above-average time outstanding and a global valuation allowance of two percent of the net receivables outstanding as of the balance sheet date. Foreign currencies were valued at the foreign exchange rate at the date of transaction or at the offered rate as of the balance sheet date, if lower.

In the application of the principle of prudence, all identifiable risks and all liabilities of uncertain amount and/or origin were considered by setting up provisions according to reasonable commercial judgment.

Liabilities were valued at their settlement amount. Liabilities in foreign currency were valued at the foreign exchange rate offered at the balance sheet date or at a higher purchase rate at the date of transaction.

NOVOMATIC Gaming Industries GmbH, a 100% subsidiary of NOVOMATIC AG, was merged with NOVOMATIC AG as the absorbing company with retroactive effect to December 31, 2017, in accordance with the Austrian Reorganization Tax Act (Umgründungssteuergesetz). The merger was entered in the commercial register on October 5, 2018.

For this reason, the previous year's figures are only comparable to a limited extent in this annual financial statement. Previous-year figures from the last annual financial statement of the acquired company (NOVOMATIC Gaming Industries GmbH) are not stated.

II. EXPLANATIONS CONCERNING THE BALANCE SHEET

ASSETS

A. Fixed Assets

1. Intangible Assets and Property, Plant and Equipment

Fixed assets are stated at cost of acquisition or production less planned linear depreciation corresponding to the estimated useful life. Write-downs and write-ups are made if the corresponding conditions exist.

The development of each item in the fixed assets and the breakdown of the annual depreciation are shown in the fixed assets schedule enclosed.

1.1. Intangible Assets

Intangible assets are stated at acquisition cost less planned linear depreciation according to a useful life of 4 to 10 years.

The intangible assets can be broken down as follows:

Rights	KEUR 1,547
Standard and administrative software	KEUR 2,206
Advance payments	KEUR 2,149
Total	KEUR 5,902

Additions to rights amounting to KEUR 554 (previous year: KEUR 400) relate to the transfer of patents.

With regard to standard and administrative software, acquisition costs (including transfers) of KEUR 1,359 (previous year: KEUR 40) were capitalized.

The advance payments of KEUR 2,150 (previous year: KEUR 0) mainly related to the current SAP project.

1.2 Property, Plant and Equipment

Land, buildings and improvements to third-party buildings

The real estate value of undeveloped and developed land amounts to KEUR 35,125 (previous year: KEUR 36,389).

Land, buildings and improvements to third-party buildings are valued at cost less scheduled depreciation (spread over 10 - 50 years for buildings).

Additions (including transfers) to building values, investments in rental properties and buildings on non-owned land amounting to KEUR 1,663 (previous year: KEUR 44) mainly relate to conversion work at the Gumpoldskirchen site.

Machines, tools and gaming machines

This position breaks down as follows:

Machines	KEUR 4,300
Tools	KEUR 3,504
Gaming machines	KEUR 8,847
Total	KEUR 16,651

Machines, tools and gaming machines are valued at cost less scheduled depreciation (spread over 1–19 years for machines, 1–5 years for tools and 4 years for gaming machines).

Additions of KEUR 6,798 (previous year KEUR 0) relate to own made gaming devices and betting terminals. Other acquisitions in the area of production machinery and tools (production forms) were to be capitalized in the amount of KEUR 1,614 (previous year: KEUR 0) or KEUR 1,732 (previous year: KEUR 0).

Factory and office equipment

Factory and office equipment is valued at cost less scheduled depreciation (spread over 1–10 years).

Additions mainly relate to IT hardware, other office equipment amounting to KEUR 2,456 (previous year: KEUR 22) and fleet acquisitions of KEUR 2,824 (previous year: KEUR 247).

Low-value assets with a cost of acquisition of less than EUR 400.00 are fully depreciated in the year of acquisition or production.

2. Financial Assets

Financial assets are valued at their cost of acquisition.

Securities are valued at their cost of acquisition or at their lower market values as of the balance sheet date.

NOVOMATIC AG annually evaluates the value of shares in affiliated companies. Carrying amounts of domestic and foreign investments will be written down in case of:

- a persistent deterioration of earnings
- the necessity of support from the shareholder
- deficient means and measures as a result of the acquisition
- reorganization measures that will not result in substantial profits in the foreseeable future and represent deficiencies that cannot be eliminated anytime soon
- losses that can no longer be absorbed by the affiliated company alone.

Impairment is not made in cases of mere start-up losses.

If the grounds for an impairment made in the past disappear, an addition is to be made up to the amount of the original costs of acquisition.

Additions (including transfers) of KEUR 386,763 to shares in affiliated companies are mainly due to acquisitions and capital increases of companies in Australia, Austria, France, Italy, Mexico, Peru, Poland, San Marino, Serbia, and Spain.

Impairment losses on shares in affiliated companies amounted to KEUR 288,332 in the reporting year and are mainly related to Ainsworth Game Technology Ltd.. The profitability of the Australian subsidiary has worsened in various markets since the acquisition in 2018. After evaluating the long-term earnings prospects, the carrying value of the investment was depreciated by KEUR 181,200, especially due to the current performance situation in the core market "Australia and Other". The adverse developments are also reflected by current share prices, which declined by 62.9%, in the period from January 5th, 2018 to the end of 2018. Other significant impairment losses regard NOVOMATIC Gaming Spain S.A. (KEUR 43,760), NOVOMATIC Peru S.A.C. (KEUR 19,601) and Novo Gaming d.o.o. (KEUR 13,612).

For further details concerning the shares in affiliated companies, please refer to point IV.

Loans granted to affiliated companies amount to KEUR 380,318 (previous year: KEUR 267,899). The addition relates in particular to long-term investments in subsidiaries in the Netherlands, Germany, Spain and Italy. The disposals related in particular to the sale of I-New Unified Mobile Solutions AG and repayments of Austrian, German, Mexican, Italian and English subsidiaries.

Other loans increased in the amount of KEUR 717 on the one hand and, on the other, decreased by KEUR 5,933 due to repatriations or reversals. Thus, the total acquisition costs as of December 31, 2018, amounted to KEUR 19,183 (previous year: KEUR 15,753).

The accumulated impairment loss decreased by KEUR 300 due to a write-up of KEUR 3,446 to KEUR 14,656 (previous year KEUR 11,510) and increased due to the critical assessment of the value of individual loans.

Of the loans granted to affiliated companies, an amount of KEUR 11,352 (previous year: KEUR 23,394) is due within one year.

Of the other loans, an amount of KEUR 1,761 (previous year: KEUR 1,191) is due within one year.

There were no significant changes in securities held as fixed assets.

B. Current Assets

1. Inventories

Inventories were valued at acquisition costs in observance of the lowest value principle. In determining the production costs for finished goods, the directly allocated costs as well as the proportionate share in overhead costs were taken into account.

In the event of a lower fair value, an according adjustment was made. In particular slow sellers which have remained untouched for six months or more were depreciated by 30 to 100 percent. For inventories with a stock level which makes an above-average term appear probable, an adjustment was made based on the principle of loss-free valuation. In addition to this, any decreased fair value was taken into account through lower cost prices.

2. Receivables and Other Assets

2.1 Trade receivables

Trade receivables are stated at nominal value. In cases of apparent individual risk, the probable recoverable amount was recognized. In order to take the receivables' time outstanding into account, a discount was applied for maturities of more than two months.

For general credit risks, a global valuation allowance of two percent of the outstanding and unsecured net receivables was applied.

This resulted in the following individual receivable amounts.

	KEUR
Trade receivables towards third parties	31,170
Valuation allowances	-6,194
Discount due to long maturity	-317
Global valuation allowance	-210
Foreign currency valuation	-62
Carrying out as of 12/31/2018	24,387

2.2 Receivables from Affiliated Companies

Receivables from affiliated companies in the amount of KEUR 316,755 (previous year: KEUR 285,374) relate, with KEUR 242,591 to trade receivables (previous year: KEUR 6,905).

2.3 Other Receivables and Assets

Other receivables and assets amounting to KEUR 60,875 (previous year: KEUR 62,196) mainly concern a deposit related to precious metals amounting to KEUR 54,225 (previous year: KEUR 52,125) as well as credit balances with the tax authorities.

The maturities of the receivables and other assets are as follows:

	12/31/2018			12/31/2017		
	Total	Residual term of up to 1 year	Residual term of more than 1 year	Total	Residual term of up to 1 year	Residual term of more than 1 year
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Trade receivables	24,387	22,629	1,758	177	177	0
Receivables from Affiliated Companies	316,755	305,247	11,508	285,374	285,374	0
Other Receivables and Assets	60,875	60,842	33	62,196	62,130	66

C. Prepaid Expenses

The prepaid expenses amounting to KEUR 9,932 (previous year: KEUR 8,124) consist of capitalized discounts and expenditures pertaining to 2019 and the following years.

D. Deferred Tax Assets

Deferred tax assets are reported using the balance sheet liability method for all temporary differences between the tax valuation amounts of assets and liabilities and the book values in the individual financial statement, as far as taxable profits are expected in the future.

The income tax rate underlying the calculation of deferred taxes is 25 percent (previous year: 25 percent).

Since a tax relief due to the reversal of the above-mentioned temporary differences in the foreseeable future cannot be reliably predicted at the balance sheet date, the deferred tax assets in the amount of KEUR 72,227 (previous year: KEUR 30,447) are not formed as a precautionary measure. The composition of deferred taxes is shown in the following table.

As the Group parent, NOVOMATIC AG has tax losses of KEUR 210,481 (previous year: KEUR 213,883), for which no deferred tax assets were recognized.

The non-capitalized deferred tax assets resulting from differences in the amounts reported in the individual financial statement and their respective tax bases are as follows:

„+“ = deferred tax asset „-“ = deferred tax liability	Difference	Deferred taxes	Deferred taxes	Change
	Current financial year	Current financial year	Previous year	Deferred taxes
	EUR	EUR	EUR	EUR
Property, plant and equipment	10,256,327.54	2,564,081.89	3,057,911.28	-493,829.39
Investments in affiliated companies	249,081,945.44	62,270,486.36	21,877,161.89	40,393,324.47
Investments	2,107,499.86	526,874.97	1,060,009.62	-533,134.65
Receivables and Other Assets	209,654.45	52,413.61	426.07	51,987.54
Prepaid expenses and accruals	6,069,322.65	1,517,330.66	1,674,131.50	-156,800.84
Provisions	21,229,919.75	5,307,479.94	2,778,568.67	2,528,911.27
Untaxed reserves	-45,457.75	-11,364.44	-1,380.14	-9,984.30
Total for 2018 balance = deferred tax assets	288,909,211.94	72,227,302.99	30,446,828.89	41,780,474.10

Shareholders' Equity and Liabilities

A. Shareholders' Equity

The share capital of the company amounts to KEUR 26,590 in the 2018 fiscal year (previous year: KEUR 26,590).

The tied-up reserves of KEUR 85,386, the legal reserve of KEUR 1,624 and the free reserves of KEUR 15 remained unchanged compared to the previous year.

As part of the merger with NOVOMATIC Gaming Industries GmbH, NOVOMATIC AG introduced a voluntarily tied-up reserve of KEUR 216,400 from the resulting merger gain in order to avoid a capital-blocking effect. This amount is subject to a payout block of 60 months after registration of the merger. This was completed on October 5, 2018.

At the Annual General Meeting on April 27, 2018, disbursement of KEUR 20,000 from the balance sheet profit was approved and subsequently paid to the shareholders.

B. Provisions

In compliance with the principle of prudence, all identifiable risks and liabilities of an uncertain amount and/or origin at the balance sheet date were accounted for by setting up provisions according to reasonable commercial judgment.

The provisions for severance payments were calculated applying actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 1.97 percent (previous year: 1.89 percent) and assuming a pay increase of 2.5 percent (previous year: 2.5 percent). The minimum legal retirement age according to ASVG regulations was assumed. Discounts due to fluctuations or other circumstances were not included. The expenses for severance payments and contributions to external severance payments funds included an income from changes in provisions of KEUR 640 (previous year: an expense of KEUR 141).

Due to irrevocable pension commitments, a pension provision was formed. The calculation was conducted applying actuarial principles in accordance with IAS 19 using the projected unit credit method with an interest rate of 1.97 percent (previous year: 1.89 percent) and value adjustments of 3 percent. Pension expenses included an expense from changes in provisions of KEUR 765 (previous year: an income of KEUR 312).

The provisions for income taxes mainly related to provisions from prior periods, which were acquired as part of the merger with NOVOMATIC Gaming Industries GmbH.

Other provisions mainly related to audit and consulting costs, costs for annual reports, provisions for legal disputes, guarantees, discounts in kind, commission provisions, provisions for anticipated losses for future liquidity needs of the subsidiaries NOVOMATIC Lottery Solutions GmbH in the amount of KEUR 10,100 (previous year: KEUR 7,700) and to Lotaria Kombetare Sh.p.k. in the amount of KEUR 2,000 (previous year: KEUR 0), unconsumed vacation for employees and jubilee payments.

The provisions for jubilee payments were calculated applying actuarial principles according to IAS 19 using the projected unit credit method with a discount rate of 1.97 percent (previous year: 1.89 percent) and assuming a pay increase of 2.5 percent (previous year: 2.5 percent). A fluctuation discount based on an internal statistic concerning withdrawals of the previous 3 years and considering probable individual continuance in the company until the jubilee payment is due was taken into account.

The provision for unused vacation is calculated under the assumption of a divider of 18 working days per month.

Due to the fact that new mortality tables had to be applied to the calculation of provisions for personnel in the past fiscal year, there was an adjustment effect of KEUR -912 which was immediately reflected in the current result.

Please refer to the enclosed supplement showing the development of provisions.

C. Liabilities

Maturity

KEUR	Total amount of liabilities		
	with a residual term of less than 1 year	with a residual term of 1 to 5 years	with a residual term of over 5 years
Bond	250,000	700,000	0
(previous year)	0	450,000	500,000
Payables to banks	28,380	684,966	148,909
(previous year)	20,480	789,122	73,125
Prepayments on orders received	67	0	0
(previous year)	0	0	0
Trade payables	23,268	0	0
(previous year)	1,708	0	0
Due to affiliated companies	210,079	14,032	0
(previous year)	133,252	342	0
Other liabilities	19,453	481	0
(previous year)	16,413	3	0

In 2013 to 2015 and 2016, bonds with a total value of KEUR 950,000 were issued to support further growth in the areas of development, production and gaming operations. The bond issued in 2013 with a volume of KEUR 250,000 was repaid on time on January 28, 2019.

Liabilities to affiliated companies amounting to KEUR 205,754 (previous year: KEUR 133,385) concern other liabilities. Of this sum, a significant amount of KEUR 190,205 (previous year: KEUR 132,998) is due to the implementation of cash pooling agreements with Austrian and foreign subsidiaries in 2013. Other liabilities include expenses in the amount of KEUR 14,950 (previous year: KEUR 14,950) that will become only cash-effective after the balance sheet date.

D. Contingent Liabilities, Other Contingent Liabilities, and Physical Securities

At the balance sheet date, there are contingent liabilities amounting to KEUR 71,963 (previous year: KEUR 163,925), of which KEUR 71,963 (previous year: KEUR 163,925) concern affiliated companies.

Contingent liabilities comprise comfort letters or guarantees for bank loans for affiliated companies, and are composed as follows:

a) Contingent liabilities

Bank	Beneficiary company	Security	Ceiling KEUR	As of 12/31/2018 KEUR
UniCredit Bank Austria AG Vienna	HTM Hotel- und Tourismus Management GmbH	Comfort letter	9,000	9,000
Raiffeisenlandesbank OOE	HTM Hotel- und Tourismus Management GmbH	Comfort letter	630	630
Raiffeisenlandesbank OOE	ADMIRAL Casinos & Entertainment AG	Comfort letter	581	581
Erste Group Bank AG	ADMIRAL Casinos & Entertainment AG	Guarantee	3,153	3,153
Hypo Bank Burgenland	ADMIRAL Casinos & Entertainment AG	Guarantee	176	176
UniCredit Bank Austria AG Vienna	NOVOMATIC Lottery Solutions GmbH	Guarantee	259	259
UniCredit Bank Austria AG Vienna	Novo Gaming M Technologies GmbH	Guarantee	500	500
Hypo Bank Burgenland	Admiral Sportwetten GmbH	Guarantee	12,000	12,000
Raiffeisenbank NOE-Wien	Admiral Sportwetten GmbH	Comfort letter	1,500	0
LBBW, DE	Admiral Entertainment GmbH, DE	Comfort letter	3,000	3,000
Nord LB	Admiral Sportwetten GmbH, Germany	Guarantee	1,500	1,500
UniCredit Bank Austria AG Vienna	Novomatic Gaming Spain S.A.	Guarantee	1,000	1,000
UniCredit Bank Austria AG Vienna	Novomatic Gaming Spain S.A.	Guarantee	500	500
UniCredit Bank Austria AG Vienna	Admiral Gaming Andalucia S.A.	Guarantee	500	500
UniCredit Bank Austria AG Vienna	Admiral Slots S.A.	Guarantee	500	500
BBVA	GiGames S.L.	Comfort letter	6,000	6,000
Banco Popular	GiGames S.L.	Comfort letter	2,500	2,500
BBVA	Novomatic Gaming Spain S.A.	Comfort letter	1,900	1,900
Banco Popular	Novomatic Gaming Spain S.A.	Comfort letter	1,250	1,250
UniCredit Bank Austria AG Vienna	INovomatic Tunisia/NLS	Guarantee	477	477
Raiffeisenbank Croatia	Interigre d.o.o.	Guarantee	3,000	3,000
Raiffeisenbank SHA Albania	Lotaria Kombetare Sh.p.k.	Guarantee	162	162
Erste Bank, Novi Sad	Millenium Bet d.o.o.	Comfort letter	720	720
UniCredit Bank Austria AG Vienna	RSA Gaming d.o.o.	Guarantee	128	128
UniCredit Tiriac SA	BetMaster Srl, Alea Leisure Srl, Admiral Leisure Srl, Inter-top Leisure Srl	Guarantee	247	247

Bank	Beneficiary company	Security	Ceiling KEUR	As of 12/31/2018 KEUR
UniCredit Bank Austria AG Vienna	Admira d.o.o.	Guarantee	510	510
Erste Group Bank AG	NOVOMATIC Lottery Solutions GmbH	Guarantee	2,000	2,000
Erste Bank AD Podgorica	MNA Gaming d.o.o.	Comfort letter	150	150
Erste Bank AD Podgorica	HTL Montenegro d.o.o.	Comfort letter	50	50
Sparkasse Makedonija	MA Gaming DOOEL	Guarantee	505	505
Sparkasse Makedonija	Makoten DOOEL	Guarantee	326	326
Sparkasse Makedonija	Masterbet DOOEL	Guarantee	505	505
Recreatieprojecten Zeeland BV	NOVOMATIC Exploitatie NL III B.V.	Comfort letter	342	342
Barclays Bank PLC	NOVOMATIC UK Ltd.	Comfort letter	16,692	16,692
LBBW, DE	Casino Royal GmbH, DE	Comfort letter	1,200	1,200
TOTAL			73,463	71,963

b) Other contingent liabilities

NOVOMATIC AG has issued comfort letters in favor of the following subsidiaries:

NOVOMATIC Lottery Solutions GmbH, Austria
 Novo VLTech Solutions S.R.L., Romania
 Adriatik Game Sh.a., Albania
 Astra Albania Sh.a., Albania
 Lotaria Kombetare Sh.p.k. Albania

NOVOMATIC AG has issued a guarantee in favor of the license agreement of Hasbro International Inc. USA with Novomatic UK Ltd., UK.

c) Information regarding the nature of provided physical securities

No physical securities were provided for liabilities in the 2018 fiscal year.

E. Other Financial Obligations

Obligations from current lease contracts comprise

KEUR	of the following fiscal years	of the next five fiscal years
Obligations from current lease contracts	3,519	17,589
(in the previous year)	1,131	5,656
of which to affiliated companies	1,667	6,072
(in the previous year)	0	0

III. EXPLANATIONS CONCERNING THE PROFIT AND LOSS ACCOUNT

1. Breakdown of Sales

As a result of the merger with NOVOMATIC Gaming Industries GmbH, the breakdown of sales groups was determined as follows; this subsequently differs from the previous year's breakdown.

1.1. by segments

KEUR	Year under review	Previous year
Income from trademarks and licenses	112,915	60,061
Income from production	368,125	0
Equipment rental	29,874	0
Provision of personnel	3,740	1,262
Repairs, service	3,829	0
Other income (incl. rental and operating costs)	16,008	17,141
Sales reductions	-141	0
	534,350	78,464

1.2. by geographical markets

KEUR	Year under review	Previous year
Domestic income	104.793	69.172
International income (EU)	345.495	9.226
Third-country income	84.062	66
	534.350	78.464

2. Personnel costs

Expenses for severance payments and contributions to external severance payment funds include payments to external severance payment funds amounting to KEUR 871 (previous year: KEUR 69).

3. Other operating expenses

Other operating expenses mainly comprise:

KEUR	2018	2017
Rental expenses and license fees	8,073	3,725
Impairments	13,054	291
Consulting fees	10,637	5,913
Foreign exchange differences	0	259

4. Investment income

Income from investments of KEUR 37,470 (previous year: KEUR 215,599) primarily includes profit distributions from Albania, Australia, Peru, Hungary and Latvia.

5. Expenses from financial assets and securities held as current assets

These relate primarily to write-downs on shares in affiliated companies. See notes on financial assets.

6. Increase in net assets through merger

In the profit and loss account, the result of the merger of the 100% subsidiary NOVOMATIC Gaming Industries GmbH into NOVOMATIC AG in the amount of KEUR 627,687 is reported under the item "Net asset increase through merger".

7. Taxes on Income

Taxes only affect earnings before taxes.

NOVOMATIC AG has taken the opportunity of forming a tax group pursuant to Sec. 9 of the Austrian Corporate Income Tax Act (KStG).

Group members are:

- HTM Hotel- und Tourismus Management GmbH, Austria
- ADMIRAL Casinos & Entertainment AG, Austria
- NMN Immo GmbH, Austria
- Admiral Sportwetten GmbH, Austria
- Novo VLTech GmbH, Austria
- NOVOMATIC Lottery Solutions GmbH, Austria
- NOVOMATIC Italia S.p.A., Italy

In the tax apportionment contract with the domestic tax group members, negative as well as positive tax apportionments within the tax group were stipulated. The profits allocated by the tax group member to the parent company are, depending on the usability of the losses, to be compensated at 21.5 percent or 25 percent (tax rate pursuant to Sec. 22 para 1 of the Austrian Corporate Income Tax Act [KStG]) by the tax group member. A symmetrical agreement exists for the allocated losses, whereby losses that cannot be allocated are to be credited as "internal tax loss carried forward" at 21.5 percent of the assessment basis if they are usable.

No tax apportionment contracts were concluded with the foreign group members.

Taxes on income are broken down specifically as follows:

	KEUR
Corporate income tax expense in 2018	284
Corporate income tax expense in previous years	0
Corporate income tax expense for deferred taxes	3,644
Foreign withholding tax expense	763
Corporate income tax expense, abroad	90
Income from tax apportionment "tax group" previous years	-3,225
Income from tax apportionment "tax group"	-1,641
Total	-85

IV. INFORMATION ON SIGNIFICANT INVESTMENTS

Company, domicile	Share	Carrying amount as	Equity	Annual result
		of 12/31/2018		
		EUR	EUR	EUR
ADMIRAL Casinos & Entertainment AG, Austria	100 %	35,100,000	25,763,226	8,559,824
Admiral Club Ltd., United Kingdom	100 %	1	n.A.	n.A.
Admiral Sportwetten GmbH, Austria	100 %	19,611,900	18,812,266	10,005,958
Admiralu Klubs SIA, Latvia	60 %	22,735,831	22,916,481	4,931,626
Ainsworth Game Technology Ltd., Australia	52.9 %	145,573,157	232,963,715	20,203,707
Airoline GmbH, Austria	100 %	7,475,000	6,705,129	-541,409
Albanisch Österreichische Lotterien Holding GmbH, Austria	100 %	5,097	69,328	-10,006,179
Alfor SIA, Latvia	60 %	2,836,397	46,852,670	19,259,121
ATT S.A., Poland	100 %	47,420,040	20,826,023	2,293,520
Azarto Technika UAB, Lithuania	80 %	1,650,009	1,180,216	-2,550,348
Casino Royal GmbH, Germany	100 %	64,590,810	30,605,312	9,266,207
celix Solutions GmbH, Austria	80 %	235,481	n.A.	n.A.
Crown Gaming Mexico S.A. de C.V., Mexico	100 %	12,265,809	7,659,424	-1,413,518
Crown Gaming Services Mexico S. d. R.L. de C.V., Mexico	80 %	12,825	37,630	15,935
Eagle Investment Sh.A., Albania	100 %	12,914,338	19,986,427	5,339,265
Estrada Polska Sp.z.o.o., Poland	0.1046 %	4,466,539	3,350,875	-972,789
Giochi San Marino S.p.A., San Marino	93 %	7,806,000	9,071,107	-709,139
HTL d.o.o. Sarajevo, Bosnia and Herzegovina	100 %	3,629,624	12,887,213	1,476,096
HTL Macedonia DOOEL, Macedonia	100 %	27,377,590	26,391,480	881,176
HTL Montenegro d.o.o., Montenegro	100 %	8,503,182	7,124,851	175,140
HTL Ukraine TOV, Ukraine	100 %	426,200	205,967	-1,046,214
HTM Hotel und Tourismus Management GmbH, Austria	100 %	1,072,607	49,464,417	1,507,740
Interinvest Holding SAL, Lebanon	95 %	137,095	n.A.	n.A.

Company, domicile	Share	Carrying amount as	Equity	Annual result
		of 12/31/2018	EUR	EUR
		EUR	EUR	EUR
Löwen Entertainment GmbH, Germany	100 %	1	n.A.	n.A.
LTB Beteiligungs GmbH, Austria	33.33 %	23,937,945	6,597,611	6,046,454
Makoten DOOEL, Macedonia	100 %	37,933,600	27,931,902	-3,140,342
NMI Invest GmbH, Austria	100 %	1,000,000	984,509	-9,701
NMN Immo GmbH, Austria	100 %	617,905	552,405	-55,428
Norddeutsche Spielbanken GmbH, Germany	100 %	25,000	18,569	-1,773
Novo Gaming d.o.o., Croatia	100 %	39,000,000	53,885,479	-393,183
Novo Gaming M Technologies GmbH, Austria	100 %	2,752,526	5,547,179	49,547
Novo Immobilien GmbH, Germany	100 %	3,000,000	24,048,687	2,807,329
Novo Investment Bulgaria EOOD, Bulgaria	100 %	31,040,000	26,920,200	-9,439
Novo Investment d.o.o., Belgrade, Serbia	100 %	34,190,150	37,575,296	2,568,690
Novo Investment RO SRL, Romania	99.8 %	54,000,000	32,804,900	5,090,207
Novo Lottery Solutions Iceland hf, Iceland	0.24 %	246	9,588,737	7,670,050
NOVO RS d.o.o., BiH	100 %	8,962,391	9,509,574	258,837
Novo VLTech GmbH, Austria	100 %	10,100,000	6,702,435	82,523
Novo VLTech Solutions SRL, Romania	0.01 %	2	9,917,831	5,492,900
Novochile Ltda., Chile	99 %	88,299	202,270	-3,990
Novogaming Vilnius UAB, Lithuania	80 %	2,483,502	2,282,112	-589,520
NOVOMATIC Africa (PTY) Ltd., South Africa	100 %	5,955,571	19,035,939	2,233,271
NOVOMATIC Americas Holdings Inc., Florida, USA	100 %	21,384,591	28,368,755	-152,148
NOVOMATIC Argentina S.R.L., Argentina	90 %	0	834,811	-1,238,470
NOVOMATIC Gaming Colombia S.A.S., Colombia	100 %	6,908,034	7,735,954	593,375
NOVOMATIC Gaming Spain S.A., Spain	100 %	31,857,141	84,975,661	3,046,661
NOVOMATIC Hungaria Kft., Hungary	100 %	24,098,399	22,639,582	4,514,359
NOVOMATIC Investment Chile S.A., Chile	100 %	1,344,421	2,950,806	-109,149
NOVOMATIC Italia SpA, Italy	100 %	376,109,429	294,471,136	10,389,310
NOVOMATIC Latin-American Holding S.L.U, Spain	100 %	1,828,404	2,827,815	64,669
NOVOMATIC Lottery Solutions GmbH, Austria	100 %	0	13,552,598	6,842,416
NOVOMATIC Netherlands B.V., Netherlands	100 %	40,471,413	36,128,246	287,497
NOVOMATIC Peru S.A.C., Peru	100 %	6,649,947	35,555,888	4,931,604
Novomatic Services FRA SAS, France	100 %	1,354,006	637,372	-74,152
NOVOMATIC Spielbanken Holding Deutschland GmbH & Co.KG, Germany	100 %	19,707,919	17,856,442	-633,049
NOVOMATIC Sports Betting Solutions GmbH, Austria	100 %	1,000,000	686,979	-273,437
NOVOMATIC Technologies Poland S.A., Poland	48.8 %	22,688,408	27,007,829	4,639,462
NOVOMATIC UK Ltd., United Kingdom	100 %	194,227,116	291,393,084	-7,285,896
Octavian de Argentina S.A., Argentina	90 %	743,470	715,232	306,073
Octavian Game Art OOO, Russia	99.9 %	2,957,000	1,539,433	805,209
Octavian SPb OOO, Russia	99.2 %	889,727	1,532,872	321,561
OTIUMGI S.L., Spain	60 %	0	4,090,674	-62,709
Pratergarage Errichtungs- und Betriebsgesellschaft m.b.H., Vienna, Austria	47.5 %	237,500	524,220	107,480
Raika Genossenschaftsant., Austria	-	7	n.A.	n.A.
RSV Beteiligungs GmbH, Austria	100 %	72,330,974	6,580,856	6,050,000

Company, domicile	Share	Carrying amount as	Equity	Annual result
		of 12/31/2018	EUR	EUR
		EUR	EUR	EUR
SIM Spielbanken Investitions- und Management GmbH, Germany	100 %	25,619	60,041	7,282
SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & Co.KG, Germany	100 %	2,264,017	2,941,290	695,613
Spielbank Berlin Entertainment GmbH & Co.KG, Germany	60 %	48,840	-2,577,661	48,061
Trust company 1, Austria*	60 %	507,375	673,781	-500,506
Trust company 3, Austria*	100 %	9,598,160	8,512,846	848,187
Trust company 16, Austria*	100 %	40,000	n.A.	n.A.
United Gaming Industries OOO, Russia	100 %	1,723,000	3,608,977	-359,175

Regarding information about relationships to affiliated companies, the Company avails itself of the protective clause granted by Sec. 242 para. 3 of the Austrian Commercial Code (UGB) (see n/a or * above).

Sec. 242 para. 2 of the Austrian Commercial Code (UGB) applies to individual subsidiaries (materiality considerations).

The equity and annual results presented are preliminary values determined in accordance with applicable local law.

V. INFORMATION ON FINANCIAL INSTRUMENTS

On October 16, 2015, an interest rate swap with a nominal value of KEUR 77,500 and maturity date of October 8, 2020, was concluded. Its net present value, including interest, amounts to KEUR -639 as of December 31, 2018.

The market value corresponds to the value which would be received or paid if the contract were settled as of the balance sheet date. Past cash flows (interest payments) are not taken into consideration. Future cash flows from variable payments as well as discount rates are determined based on generally accepted financial mathematical models. The negative market values are recorded in the other provisions for impending losses.

Due to the high purchase volumes in USD, parts of the current USD requirements are secured through hedging transactions. Hedging is achieved through several forward transactions due at monthly intervals.

The following derivatives were entered into:

KEUR	12/31/2018 Nominal amount	12/31/2018 Market value
UniCredit Bank Austria AG USD forward contract until 1/16/2019	2,646	-29
Raiffeisen Bank International USD forward contract until 4/17/2019	2,632	-35
BBVA Corporate & Investment Banking USD forward contract until 3/13/2019	9,059	86
Societe Generale Corporate & Investment Banking USD forward contract until 6/12/2019	6,246	223

The market value for derivatives corresponds to the value which the individual company would receive or have to pay if the contract were settled as of the balance sheet date. For this, current market conditions are taken into account, in particular the current interest environment. A corresponding provision was formed in the financial statements for the negative market values.

VI. MANDATORY INFORMATION CONCERNING MANAGEMENT BODIES AND EMPLOYEES

1.1. Average Number of Employees during the Financial Year

	2018	2017
Number of employees	943	14
Number of workers	274	0

1.2. Members of the Executive Board and the Supervisory Board during the Financial Year

Executive Board:

- Harald Neumann, CEO
- Dr. Christian Widhalm, Deputy CEO
- Ryszard Presch, COO
- Thomas Graf, CTO
- Peter Stein, CFO
- Bartholomäus Czapkiewicz, CSO (from Dec. 2018)

Supervisory Board:

- Dr. Bernd Oswald, Chairman
- Martina Flitsch, Deputy Chairwoman
- Barbara Feldmann, member
- Martina Kurz, member
- Dr. Robert Hofians, member

1.3. Other Information

During the 2018 fiscal year, gross payments of KEUR 3,836 (previous year: KEUR 5,644) and payments from affiliated companies of KEUR 350 (previous year: KEUR 250) were made to the members of the Executive Board. No advances or guarantees were granted to members of the Executive Board. Loans to members of the Executive Board amounted to KEUR 374 (previous year: KEUR 0) with an interest rate of 5 percent. Payments made to members of the Supervisory Board during the year under review amounted to KEUR 308 (previous year: KEUR 518).

Expenses for severance payments and pensions for the members of the Executive Board amounted to KEUR -699 (previous year: KEUR 182) and KEUR 725 (previous year: KEUR -345), respectively.

1.4 Consolidated Financial Statement

NOVOMATIC AG is required by law to prepare and disclose a subgroup consolidated financial statement according to Sec. 246 para 3 of the Austrian Commercial Code (UGB). The financial statements for the subgroup NOVOMATIC AG are included in the consolidated financial statement of Novo Invest GmbH with its registered office in Gumpoldskirchen – as head of the Group – and filed at the Regional Court of Wiener Neustadt under FN 381832v.

1.5 Audit Fees

Fees for the audit of the financial statement and expenses for other services of the auditor are presented in the subgroup consolidated financial statement of NOVOMATIC AG.

1.6 Appropriation of Earnings

An amount totaling KEUR 22,000 is to be appropriated from the balance sheet profit of KEUR 239,553, comprising the profit of the 2018 fiscal year amounting to KEUR 398,411 less allocation to retained earnings of KEUR 216,400 and profit carried forward of KEUR 57,542. The remaining amount of KEUR 217,553 is to be carried forward.

1.7 Subsequent Events after the Balance Sheet Date

NOVOMATIC AG redeemed the bond (ISIN AX0000A0XSN7) with an issue volume of KEUR 250,000 and a final maturity of January 28, 2019, on time.

At the end of February 2019, it was decided to sell the shares in the Croatian subsidiary Novo Gaming d.o.o.. The sale price was fixed at KEUR 39,200.

VII. SPECIAL INFORMATION FOR STOCK CORPORATIONS

The share capital of EUR 26,590,000.00 is fully paid up and is divided into 26,590,000 registered no-par value shares. The nominal value per share amounts to EUR 1.00.

Gumpoldskirchen, March 22, 2019

NOVOMATIC AG

Harald Neumann
Chairman, CEO

Dr. Christian Widhalm
Deputy Chairman,
Chief Investment Officer, CIO

Ryszard Presch
Chief Operating Officer, COO

Thomas Graf
Chief Technology Officer, CTO

Peter Stein
Chief Financial Officer, CFO

Bartholomäus Czapkiewicz
Chief Systems Development Officer, CSO

NOVOMATIC AG

FIXED ASSETS

as of December 31, 2018

EUR	Development at cost of acquisition and production						Balance as of 12/31/2018
	Balance as of 12/31/2017	Addition from NGI Merger	Disposal from NGI Merger	Additions	Transfers	Disposals	
A. FIXED ASSETS							
I. Intangible assets							
1. Concessions, industrial and similar rights and assets and licenses in such rights and assets	12,855,172.03	3,238,590.50	0.00	554,473.93	0.00	0.00	16,648,236.46
Technical software	123,400,219.21	2,139,881.15	0.00	0.00	0.00	0.00	125,540,100.36
Software	321,948.48	12,084,597.11	0.00	1,113,196.26	245,770.32	1,472.00	13,764,040.17
2. Advance payments	0.00	1,014,634.37	0.00	1,380,150.09	-245,770.32	0.00	2,149,014.14
TOTAL	136,577,339.72	18,477,703.13	0.00	3,047,820.28	0.00	1,472.00	158,101,391.13
II. Property, plant and equipment							
1. Land, buildings and improvements to third-party buildings							
Land	9,293,159.41	0.00	0.00	0.00	0.00	0.00	9,293,159.41
Buildings – real estate value	32,164,056.07	20,502.06	0.00	2,221.59	0.00	876,299.58	31,310,480.14
Buildings – value of building	134,354,465.14	0.00	0.00	274,916.42	7,824,180.18	4,003,462.48	138,450,099.26
Structural investments in leased property	2,796,160.66	8,723,720.47	0.00	6,308.62	-6,442,623.64	2,127,682.82	2,955,883.29
Buildings on non-owned land	24,779,267.77	0.00	0.00	0.00	0.00	0.00	24,779,267.77
TOTAL	203,387,109.05	8,744,222.53	0.00	283,446.63	1,381,556.54	7,007,444.88	206,788,889.87
2. Plant and machinery							
Plant and machinery	212,930.38	14,651,396.33	0.00	1,120,300.18	493,639.49	296,181.27	16,182,085.11
Devices	0.00	30,021,546.38	0.00	6,798,422.49	0.00	3,941,166.40	32,878,802.47
Tools and tool costs	0.00	19,316,757.80	0.00	1,382,725.13	349,540.88	0.00	21,049,023.81
TOTAL	212,930.38	63,989,700.51	0.00	9,301,447.80	843,180.37	4,237,347.67	70,109,911.39
3. Other systems, factory and office equipment							
Factory and office equipment	4,851,250.47	36,955,954.77	0.00	2,350,251.01	105,700.00	647,202.54	43,615,953.71
Car pool	1,853,452.55	13,249,822.52	0.00	2,824,053.23	0.00	2,023,770.53	15,903,557.77
Low-value assets	43,738.44	838,498.60	0.00	504,407.79	0.00	1,022,963.16	363,681.67
TOTAL	6,748,441.46	51,044,275.89	0.00	5,678,712.03	105,700.00	3,693,936.23	59,883,193.15
4. Prepayments and tangible assets in course of construction							
Advance payments	0.00	80,387.00	0.00	816,174.80	-794,472.83	0.00	102,088.97
Tangible assets in course of construction	6,334,574.76	243,214.34	0.00	1,505,245.18	-1,535,964.08	80,829.72	6,466,240.48
TOTAL	6,334,574.76	323,601.34	0.00	2,321,419.98	-2,330,436.91	80,829.72	6,568,329.45
TOTAL	216,683,055.65	124,101,800.27	0.00	17,585,026.44	0.00	15,019,558.50	343,350,323.86
III. Financial assets							
1. Shares in affiliated companies	1,063,077,042.31	988,382,700.70	394,304,397.00	382,076,936.19	4,686,088.69	44,063,478.61	1,999,854,892.28
2. Loans to affiliated companies	286,360,293.57	198,954,922.53	109,283,397.36	122,897,495.82	-3,643,227.39	113,632,938.34	381,653,148.83
3. Investments	24,412,944.55	0.00	0.00	0.00	0.00	0.00	24,412,944.55
4. Loans to associated companies	1,008,484.32	0.00	0.00	80,827.74	0.00	200,000.00	889,312.06
5. Securities held as fixed assets	94,855,205.59	132,704.13	0.00	327,990.04	-1,042,861.30	0.00	94,273,038.46
6. Other loans	15,753,098.15	8,646,459.94	0.00	717,134.31	0.00	5,933,380.55	19,183,311.85
TOTAL	1,485,467,068.49	1,196,116,787.30	503,587,794.36	506,100,384.10	0.00	163,829,797.50	2,520,266,648.03
TOTAL FIXED ASSETS	1,838,727,463.86	1,338,696,290.70	503,587,794.36	526,733,230.82	0.00	178,850,828.00	3,021,718,363.02

Development of Amortization/Depreciation							Book Values		
Balance as of 12/31/2017	Addition from NGI Merger	Additions	Transfers	Disposals	Write-ups	Balance as of 12/31/2018	Balance as of 12/31/2017	Balance as of 12/31/2018	
12,202,762.15	2,768,862.71	129,439.37	0.00	0.00	0.00	15,101,064.23	652,409.88	1,547,172.23	
120,829,368.97	2,139,881.15	2,570,850.24	0.00	0.00	0.00	125,540,100.36	2,570,850.24	0.00	
286,948.48	10,246,326.08	1,026,392.56	0.00	1,472.00	0.00	11,558,195.12	35,000.00	2,205,845.05	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,149,014.14	
133,319,079.60	15,155,069.94	3,726,682.17	0.00	1,472.00	0.00	152,199,359.71	3,258,260.12	5,902,031.42	
0.30	0.00	0.00	0.00	0.00	0.00	0.30	9,293,159.11	9,293,159.11	
5,067,234.24	15,376.55	443,390.02	0.00	47,695.58	0.00	5,478,305.23	27,096,821.83	25,832,174.91	
47,764,781.87	0.00	4,507,613.51	-4,971,862.10	3,240,921.46	0.00	54,003,336.02	86,589,683.27	84,446,763.24	
2,791,089.37	6,781,377.99	427,263.33	4,971,862.10	2,123,009.50	0.00	2,904,859.09	5,071.29	51,024.20	
21,943,610.45	0.00	224,346.35	0.00	0.00	0.00	22,167,956.80	2,835,657.32	2,611,310.97	
77,566,716.23	6,796,754.54	5,602,613.21	0.00	5,411,626.54	0.00	84,554,457.44	125,820,392.82	122,234,432.43	
139,772.83	10,389,927.86	1,649,065.06	0.00	296,181.27	0.00	11,882,584.48	73,157.55	4,299,500.63	
0.00	22,019,794.87	5,149,119.68	0.00	3,137,387.98	0.00	24,031,526.57	0.00	8,847,275.90	
0.00	15,048,834.23	2,495,755.42	0.00	0.00	0.00	17,544,589.65	0.00	3,504,434.16	
139,772.83	47,458,556.96	9,293,940.16	0.00	3,433,569.25	0.00	53,458,700.70	73,157.55	16,651,210.69	
4,439,667.12	30,639,494.97	3,026,776.41	0.00	642,549.39	0.00	37,463,389.11	411,583.35	6,152,564.60	
500,793.12	7,458,020.33	2,204,767.14	0.00	1,385,387.32	0.00	8,778,193.27	1,352,659.43	7,125,364.50	
38,217.89	645,907.07	657,062.12	0.00	1,022,963.16	0.00	318,223.92	5,520.55	45,457.75	
4,978,678.13	38,743,422.37	5,888,605.67	0.00	3,050,899.87	0.00	46,559,806.30	1,769,763.33	13,323,386.85	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	102,088.97	
6,290,171.84	0.00	0.00	0.00	0.00	0.00	6,290,171.84	44,402.92	176,068.64	
6,290,171.84	0.00	0.00	0.00	0.00	0.00	6,290,171.84	44,402.92	278,157.61	
88,975,339.03	92,998,733.87	20,785,159.04	0.00	11,896,095.66	0.00	190,863,136.28	127,707,716.62	152,487,187.58	
111,587,258.19	111,151,877.42	288,331,825.24	-3,643,227.39	12,611,434.15	0.00	502,102,754.09	951,489,784.12	1,497,752,138.19	
18,461,434.16	0.00	6,139,349.22	3,643,227.39	19,622,400.42	0.00	1,335,155.57	267,898,859.41	380,317,993.26	
237,500.00	0.00	0.00	0.00	0.00	0.00	237,500.00	24,175,444.55	24,175,444.55	
461,302.65	0.00	88,302.65	0.00	88,302.65	0.00	461,302.65	547,181.67	428,009.41	
149,961.85	8,319.61	158,897.31	0.00	0.00	2,044.63	315,134.14	94,705,243.74	93,957,904.32	
11,510,527.46	0.00	3,445,769.87	0.00	0.00	300,000.00	14,656,297.33	4,242,570.69	4,527,014.52	
142,407,984.31	111,160,197.03	298,164,144.29	0.00	32,322,137.22	302,044.63	519,108,143.78	1,343,059,084.18	2,001,158,504.25	
364,702,402.94	219,314,000.84	322,675,985.50	0.00	44,219,704.88	302,044.63	862,170,639.77	1,474,025,060.92	2,159,547,723.25	

NOVOMATIC AG

PROVISIONS

as of December 31, 2018

PROVISIONS	Balance as of 12/31/17	Addition from merger	Balance as of 01/01/2018
	EUR	EUR	EUR
1. Provisions for severance payments	1,957,813.00	8,812,157.00	10,769,970.00
2. Provisions for pensions	7,300,571.00	0.00	7,300,571.00
3. Provisions for taxes			
Provision for corporate income tax	0.00	8,366,935.41	8,366,935.41
Provision for corporate income tax DE	248,000.00	0.00	248,000.00
Deferred taxes	0.00	10,594,659.00	10,594,659.00
	248,000.00	18,961,594.41	19,209,594.41
4. Other provisions			
Provisions for consulting fees	1,216,865.12	198,500.00	1,415,365.12
Provisions for unconsumed vacation	1,290,230.69	5,050,047.47	6,340,278.16
Provisions for time credits	0.00	475,757.33	475,757.33
Provisions for special payments	0.00	7,557.70	7,557.70
Other current provisions for personnel	1,900,000.00	0.00	1,900,000.00
Damages	0.00	4,616,000.00	4,616,000.00
Provisions for jubilee payments	62,994.00	2,361,899.00	2,424,893.00
Provisions for guarantees	0.00	3,290,500.00	3,290,500.00
Customer bonuses, discounts	0.00	125,738.72	125,738.72
Other provisions	8,638,969.57	8,510,054.63	17,149,024.20
	13,109,059.38	24,636,054.85	37,745,114.23
TOTAL PROVISIONS	22,615,443.38	52,409,806.26	75,025,249.64

Consumption	Release	Allocation	Balance as of 12/31/18
EUR	EUR	EUR	EUR
139,931.00	738,510.00	238,618.00	10,130,147.00
0.00	0.00	765,109.00	8,065,680.00
105,341.00	3,225,000.00	269,020.00	5,305,614.41
0.00	0.00	90,000.00	338,000.00
10,594,659.00	0.00	0.00	0.00
10,700,000.00	3,225,000.00	359,020.00	5,643,614.41
679,433.13	24,051.99	780,600.00	1,492,480.00
6,340,278.16	0.00	6,321,599.07	6,321,599.07
475,757.33	0.00	552,390.08	552,390.08
0.00	0.00	3,667.83	11,225.53
1,900,000.00	0.00	0.00	0.00
667,955.80	53,044.20	4,225,000.00	8,120,000.00
109,438.86	45,874.42	741,336.28	3,010,916.00
0.00	0.00	428,300.00	3,718,800.00
81,865.21	0.00	37,057.13	80,930.64
8,485,648.62	148,510.02	5,843,985.14	14,358,850.70
18,740,377.11	271,480.63	18,933,935.53	37,667,192.02
29,580,308.11	4,234,990.63	20,296,682.53	61,506,633.43

NOVOMATIC AG

AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NOVOMATIC AG, Gumpoldskirchen, which comprise the statement of financial position as at December 31st, 2018, the statement of profit and loss and notes to the financial statements.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position as at December 31st, 2018 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

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

Key Audit Matters

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

Shares in affiliated companies – valuation

Description and Issue

NOVOMATIC AG evaluates annually the impairment of the shares in affiliated companies. For this purpose the enterprise value for all material investments is calculated using discounted cash flows based on the latest forecasts prepared by the company. Subsequently, the equity value is derived from the enterprise value. This equity value is then compared to the carrying value of the investment. For the valuation of shares in affiliated companies, which are held for sale, the estimated purchase price is used as the valuation benchmark. Due to significant changes in the legal or economic environment in 2018 NOVOMATIC AG had to fundamentally revise the forecasts for several markets.

These changes resulted in a depreciation of the posit on shares in affiliated companies in the amount of TEUR 288,332. For further details please refer to chapter "2. Financial assets" included in the notes. The forecasts, which built the basis for the valuations, are, amongst other things, based on estimations of the effects of these legal and economic changes and are therefore subject to

significant uncertainties. Due to that fact and the significance of the shares in affiliated companies in the financial statements we identified this position as a key matter for our audit.

Our response

Firstly, we examined the assumptions underlying the forecasts prepared by NOVOMATIC AG. Furthermore, we reviewed the calculation model used by the company. In addition, for the year 2019 we reconciled the figures projected in the forecasts, with the budget approved by the supervisory board. To verify the discount rates, used by NOVOMATIC AG, we predetermined plausible ranges, and used them as benchmarks. Additionally, where sales prices were used as valuation benchmarks, we reviewed the documents of the sales negotiations. For investments with low excess coverage we performed sensitivity analyses using different scenarios based on modifications of critical assumptions.

Other Information

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

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

Responsibilities of Management and the Audit for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

We also:

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

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

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

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

Report on the Audit of the Management Report

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

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

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

Opinion

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

Statement

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

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

We were appointed by the annual general meeting on June 12th, 2018 and commissioned by the supervisory board on October 28th, 2018 to audit the financial statements for the financial year ending December 31st, 2018. We have been auditing the Company uninterrupted since the financial year ending December 31st, 2004.

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

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

Vienna, March 22nd, 2019

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Christoph Waldeck m.p.
Certified Public Accountant

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

SUPERVISORY BOARD REPORT NOVOMATIC AG

for the fiscal year 2018



The Supervisory Board held five meetings during the 2018 fiscal year in which the Executive Board reported on business policy, and the Supervisory Board discussed, in detail, business developments and the position of the company. In addition, the Supervisory Board auditing committee received reports from the Executive Board and the auditor in four meetings.

The annual financial statements from the 31.12.2018 and the Executive Board management report, to the extent that it explains the annual financial statements, have been examined in regards to accounting by Deloitte Audit Wirtschaftsprüfungs GmbH, who were appointed as auditor by the Annual General Meeting and who have issued an unqualified audit opinion.

The examination of the annual financial statements by the Supervisory Board did not give cause for any objections. The annual financial statements drawn up by the Executive Board were approved by the Supervisory Board and hence adopted in accordance with the AktG – Austrian Stock Corporation Act. The Supervisory Board agrees with the proposal of the Executive Board regarding the use of the net profits from 2018.

The Supervisory Board acknowledges and thanks the Executive Board and all employees of NOVOMATIC AG's companies for their work during the financial year of 2018.

Gumpoldskirchen, March 2019
The Supervisory Board

Dr. Bernd Oswald
(Chairman)



NOVOMATIC AG
Non-Financial Report 2018

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CORPORATE RESPONSIBILITY STRATEGY

NOVOMATIC is an industry pioneer and now the company plans to expand its leadership into the areas of social and environmental responsibility.

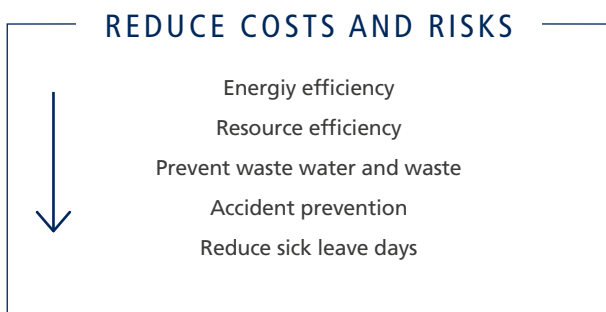
One of NOVOMATIC's key business principles is taking on responsibility for the social and ecological effects of the work. Doing so is essential because the company understands itself as a part of the broader society and this mindset, in turn, helps to gain social acceptance and secure licenses. It also helps with NOVOMATIC's attractiveness as an employer and as an investment, improving its reputation. The era in which corporate responsibility (CR) was simply a series of empty promises encompassing unimportant individual measures is long past. Society and its stakeholders such as authorities, politicians, investors, interest groups, the media, employees, and business partners are no longer content with simple statements of intent. Today, to be viewed as responsible, a company must exhibit measurable developments and positive changes with regard to the significant ecological, social, and corporate fields of action that fall under company responsibility.

NOVOMATIC is working to expand Corporate Responsibility duties, structures, and processes across the Group. This allows the company to actively control CR developments and provide relevant information at Group level. All measures are targeted towards a long-term CR strategy. In 2017, significant and mea-

surable Key Performance Indicators (KPIs) were defined for each CR field of action. The KPIs transparently record the positive development of relevant CR issues for both management and external stakeholders. CR performance therefore – just like financial performance – is transparent and measurable.

Last year, the number of companies included in the CR Report (core companies) significantly expanded and the quality and validity of the indicators improved. Qualitative goals were defined for all KPIs. Yearly comparisons, which are now possible for the first time, will be expanded in the future to include quantitative goals. Group target setting, self-conception, and principles of action are defined in the Corporate Responsibility Codex, which is currently being rewritten. The Corporate Responsibility Codex represents the minimum standard within the Group.

Corporate Responsibility as a value driver at NOVOMATIC



The added value provided by corporate responsibility can thus be measured concretely as an indicator of corporate success. This includes, for example, obtaining and securing licenses, guaranteeing legal certainty, lowering costs through efficient use of resources, preventing accidents and illness, recruiting the best talents in the market, and of course creating long-term relationships with customers, business partners, and other stakeholders.

This report describes the management, measures taken, and results of NOVOMATIC's corporate responsibility.

Business activities and Corporate Responsibility

An extensive process was carried out in 2017 to determine fields and principles of action for responsibility as part of NOVOMATIC's business activities. To establish the foundations, representatives from the management and from the subsidiaries identified positive outputs and negative social, ecological and corporate effects along NOVOMATIC's value-creation chain and rated them based on relevance. The following summary is an integrated list of company value creation elements, required inputs and generated outputs, as well as the relevant stakeholders. The illustration is based on the Integrated Reporting <IR> framework of the International Integrated Reporting Council (IIRC).

 International Integrated Reporting Council (IIRC): www.integratedreporting.org

The goal is to maintain or increase positive outputs, such as creating jobs, paying local taxes, and training employees. Potential negative impacts on business or society, such as problematic gaming, misuse of products, legal violations, but also CO₂ emissions, waste, resource consumption, and accidents at work are to be minimized.

Important stakeholders such as licensing authorities, investors, and sponsors increasingly evaluate company activities, including social and ecological aspects. If the company loses the trust of these stakeholders, there is a risk that licenses will be withdrawn or that it will be more difficult to find investors and creditors in the future.

Of course, the company requires a great deal of input such as primary products, resources, energy, competent employees, and licenses in order to carry out business activities. All of these aspects need to be managed.

If the company loses trust in these stakeholders, there is a risk that licenses will be compromised or it will be harder to find investors and lenders.

Identifying and evaluating impact

The ecological, social, and corporate impacts caused by NOVOMATIC's business activities and listed here as an example were comprehensively evaluated in 2017. The analysis process was carried out in accordance with requirements from the Global Reporting Initiative (GRI).

 Global Reporting Initiative: www.globalreporting.org

Among other measures, the company carried out multiple structured interviews with experts in the areas of player protection, gaming addiction prevention, corporate responsibility, and sustainability. To identify the relevance and the scale of the impact, the company carried out a detailed industry analysis in cooperation with peer-group companies. The result is an evaluation of the company's positive and negative impact on the strategic focus areas (CR Pillars). This evaluation was used to create the materiality matrix that will be introduced in the next chapter.

Strategic CR fields of action

The central tenet of development within the strategic fields of action "Responsible Entertainment", "Always Compliant", "Enjoy Working With Us", "Going Green", and "Active in the Community" is the motto: Winning Responsibly. The goal is to become the most innovative and conscientious provider of Responsible Entertainment in the world. The specific issues and measures within these strategic areas have been determined using the materiality analysis and the defined significant issues. The non-financial key figures that rolled out across the Group for the first time in 2017 allow for the structured performance control and communication of CR development. Company values "do – enjoy – respect" are taken into account for all activities. The trust and support of all stakeholders of the company build the foundation.

NOVOMATIC's Business Model

**STAKEHOLDERS
WHOSE SUPPORT THE
COMPANY REQUIRES**

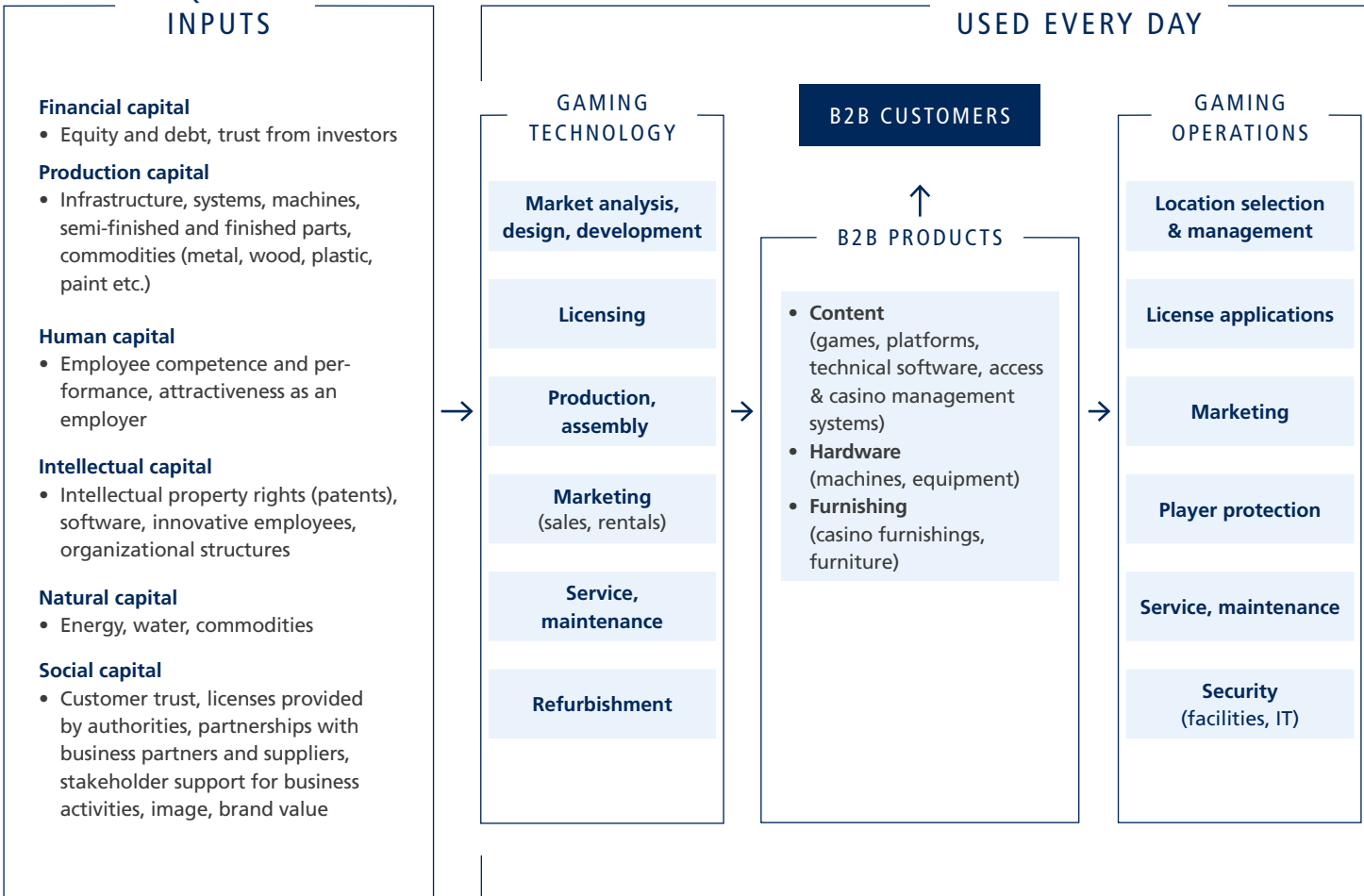
External stakeholders:

customers, business partners, political bodies and authorities, industry experts and representatives, trade associations, investors and financial institutions, media, sponsoring and donation partners, training institutions, player protection and therapy institutions, NGOs (not focused on player protection), experts in the area of social responsibility



**REQUIRED
INPUTS**

**BUSINESS ASSETS
USED EVERY DAY**

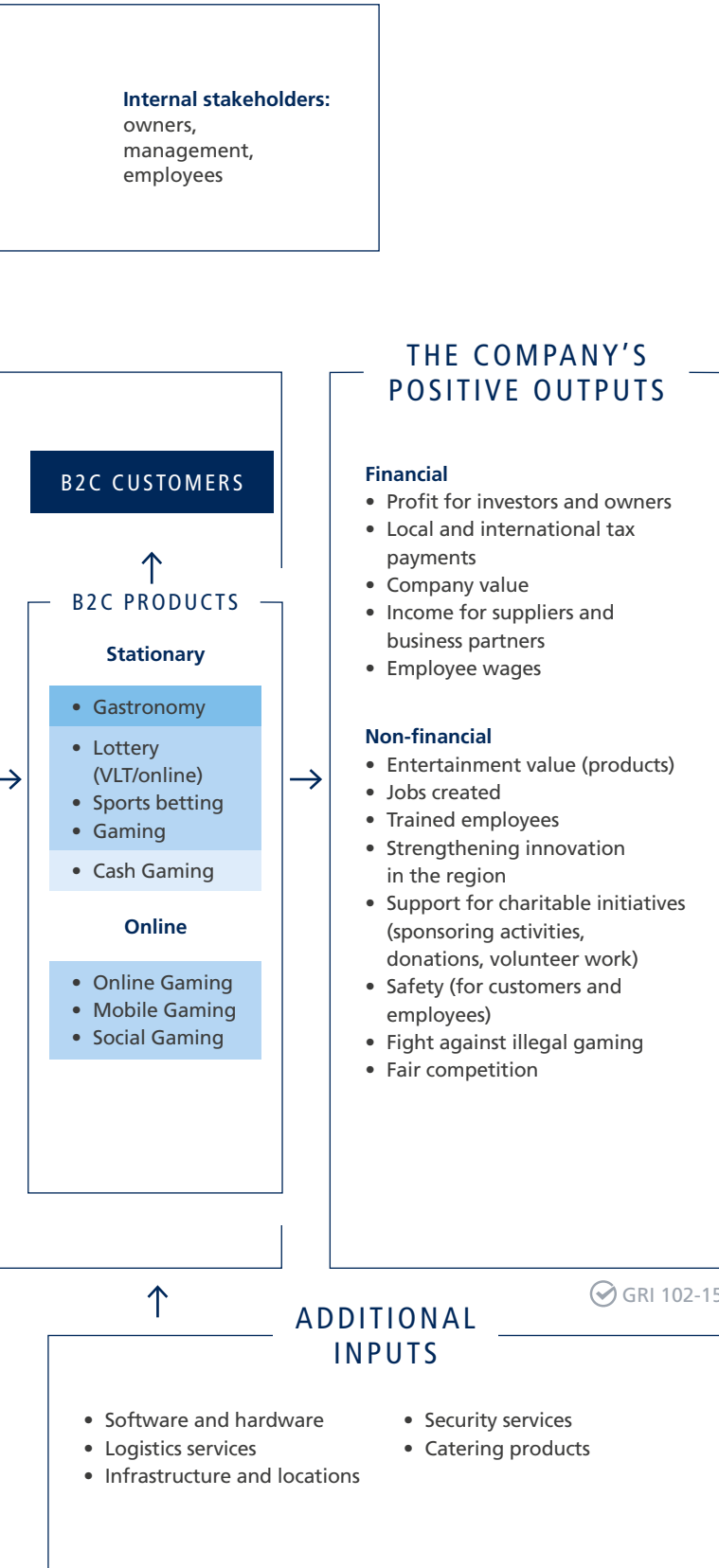


**IMPACTS THE COMPANY
SEEKS TO AVOID**

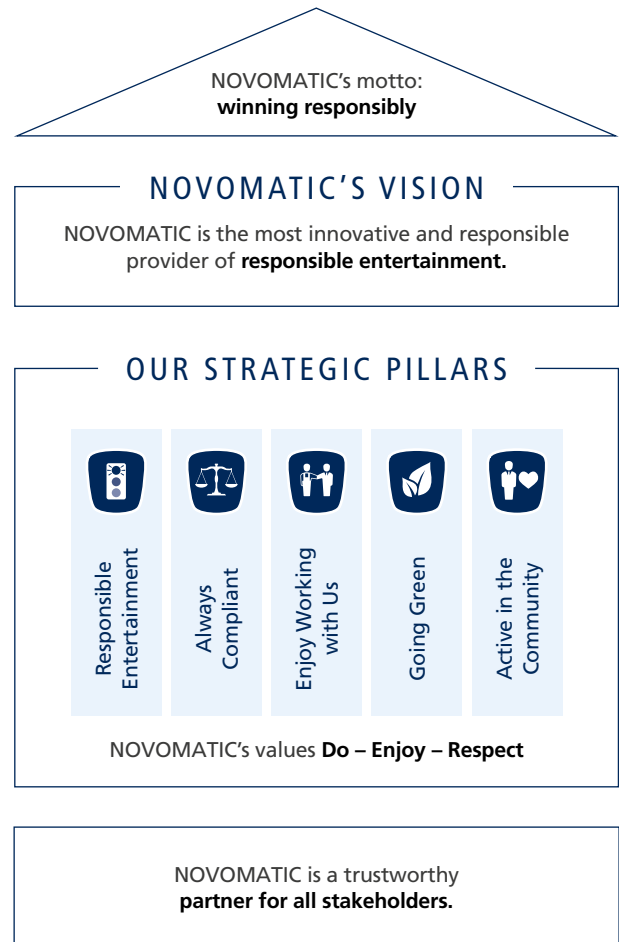


- Problematic player behavior
- Misuse of products
- Accidents at work
- Negative health effects
- Discrimination and unequal treatment

- Corruption and breach of legal provisions
- Resource consumption e.g.: water, energy, raw materials
- Waste e.g.: hazardous and non-hazardous waste
- Emissions e.g.: direct and indirect emissions caused by energy consumption and transport



NOVOMATIC's Corporate Responsibility Strategic House








While revising the strategic NOVOMATIC CR fields of action, the CR team worked together with representatives from the subsidiaries to define Group principles of action. These describe the company's aspirations for avoiding negative impacts and facilitating positive results. They, therefore, serve as a guideline for individual measures and are each listed at the beginning of the chapters in this report. To expand on this, the team identified important indicators for performance development in each strategic field of action.

Qualitative targets were set last year. This was possible due to the expansion of the subsidiaries included within CR Management in 2018 and the fact that for the first time since recording began, the company is able to compare yearly values. In 2019, the focus will be on improving data quality and expanding the number of companies included in the analysis. For the future, the plan is to define and further specify additional

quantitative goals as soon as the data situation within the Group is complete and to use this to set meaningful goals.

The following chart shows the strategic fields of action, the significant issues, the relevant principles of action, indicators for control, and the goals. Together, they represent NOVOMATIC's "Winning Responsibly" CR plan for the coming year.

CR program

Strategic fields of action	Significant issues	Action principles
Responsible Entertainment 	<ul style="list-style-type: none"> • Player protection & gaming addiction prevention • Responsible marketing • Security in gaming facilities 	<ul style="list-style-type: none"> • "We offer responsible entertainment and ensure that our products and services are used conscientiously." • "We make sure our employees are well trained in player protection and that they pay close attention to identifying problematic behavior and act accordingly." • "We prevent minors and other vulnerable groups from using our products."
Always Compliant 	<ul style="list-style-type: none"> • Corruption & Money Laundering Prevention • Data protection • Avoiding abusive product consumption and fraudulent competition • Supplier responsibility • Human rights • Fair competition • Public affairs 	<ul style="list-style-type: none"> • "We implement systems that support our legal compliance and act in accordance with the standards set out in the Code of Conduct." • "We are all required to make every effort to identify and prevent any and all fraudulent and criminal behavior within the company." • "We ensure that our customers' and stakeholders' data protection rights are always taken care of."
Enjoy Working with Us 	<ul style="list-style-type: none"> • Training and further education • Occupational health & safety • Employee Diversity & Equality • Innovation 	<ul style="list-style-type: none"> • "We support employee development and offer training and continued education opportunities." • "We see our employees as an important source of innovation, which we strengthen." • "We value the diversity of our staff and stakeholders and treat all people equally." • "We create safe and healthy working conditions in order to avoid accidents and illness."
Going Green 	<ul style="list-style-type: none"> • Energy consumption & emissions • Emissions from transport & logistics • Resource consumption • Recyclability • Waste 	<ul style="list-style-type: none"> • "We minimize our environmental footprint through efficient handling of energy and resources, as well as by reducing the waste and emissions that we produce." • "We strive to make positive contributions to environmental protection using both production and operational measures."
Active in the Community 	<ul style="list-style-type: none"> • Sponsoring activities, donations & volunteer work 	<ul style="list-style-type: none"> • "We contribute to society with sponsoring activities, donations, and volunteer activities." • "We are active and responsible citizens and invest in our local communities."

Control indicators	Strategic goals
<ul style="list-style-type: none"> • Degree of implementation for Responsible Entertainment (RE) measures • RE certifications within the Group • RE policy implementation 	<ul style="list-style-type: none"> • Obtaining and maintaining licenses using RE measures • Prevent problematic gaming and protect vulnerable groups • Comply with RE Policy
<ul style="list-style-type: none"> • Degree of training implementation on the Code of Conduct and company guidelines • Reported violations of legal requirements, the Code of Conduct, and company guidelines 	<ul style="list-style-type: none"> • Compliance with legal regulations, as well as the Code of Conduct and company guidelines • Prevention of corruption and money laundering • Protection of personal data belonging to customers and other stakeholders
<ul style="list-style-type: none"> • Percentage of women in total and in management positions • Percentage of resignations by employees • Sick leave rate • Accident rate • Training and further education hours per employee 	<ul style="list-style-type: none"> • Positioning in the market as an attractive employer • Creation of a safe and healthy work environment that supports diversity and innovation
<ul style="list-style-type: none"> • Energy consumption in MWh • CO₂ emissions in tons • Water consumption in m³ • Waste in tons 	<ul style="list-style-type: none"> • Minimize consumption of energy and resources as well as minimizing emissions and waste • Contribution to the protection of the environment
<ul style="list-style-type: none"> • Social impact of sponsoring activities, donations, and volunteer work 	<ul style="list-style-type: none"> • Contribution to corporate responsibility via sponsoring activities, donations, and volunteer work.





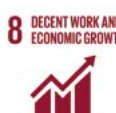
Contribution to the United Nations Sustainable Development Goals

As an employer with around 23,000 employees in the consolidated group and as an international company active in production and technological innovation, the NOVOMATIC AG Group strives to support the Sustainable Development Goals (SDGs) introduced by the United Nations in 2016.





The following summary shows the contributions that the NOVOMATIC AG Group has made to the SDGs. These contributions were determined using the document "An analysis

of the goals and targets" published by the United Nations Global Compact and the Global Reporting Initiative. You can find out more about the report in the paragraphs marked by the SDG logo. The number is a reference to the SDG goal in question. You can find a summary of every SDG goal and page numbers for the contents in the "GRI-, SDG-, UNGC- and NaDiVeG-Index" of this report.

NOVOMATIC's contribution to the Sustainable Development Goals

SDG Goals	Supported sub-goals	NOVOMATIC contribution
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>3.9. Reduction of deaths and illnesses caused by air, water, and ground pollution.</p>	<ul style="list-style-type: none"> • Health and occupational safety measures for all employees. • Environmental management for reducing waste and emissions.
 <p>4 QUALITY EDUCATION</p>	<p>4.5. Eliminating gender-specific disparities in training and ensuring equal-opportunity access to training and educational levels.</p>	<ul style="list-style-type: none"> • Extensive training and further education opportunities for all employees. • Support for apprentices. • Measures to ensure diversity and equality.
 <p>5 GENDER EQUALITY</p>	<p>5.1. Ending all forms of discrimination against women.</p>	<ul style="list-style-type: none"> • Supporting women in management positions. • Measures to ensure diversity and equality.
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>7.2. Increasing the share of renewable energy in the energy mix.</p> <p>7.3. Increasing energy efficiency.</p>	<ul style="list-style-type: none"> • Group monitoring of absolute and relative energy consumption, energy sources in use, and the associated emissions.
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>8.1. Contribution to local and regional economic growth.</p> <p>8.2. Increased economic productivity via diversification, technological modernization, and innovation.</p> <p>8.4. Contribution to uncoupling economic growth and resource consumption as well as preventing environmental degradation.</p> <p>8.5. Contribution to productive full-time and humane employment.</p> <p>8.8. Protection of labor rights and creation of a safe work environment for all employees.</p>	<ul style="list-style-type: none"> • Measurement of NOVOMATIC AG's economic footprint. • Contribution to local economic performance via job creation, paying local taxes, and using regional suppliers. • Supporting innovation via education and training, as well as innovation projects. • Measures to increase energy and resource efficiency. • Creation of around 23,000 jobs in the consolidated group in more than 50 countries. • Occupational health and safety measures, guaranteed equal opportunities, as well as protection of employee rights within the Group.

SUSTAINABLE DEVELOPMENT GOALS

<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>9.2. Contribution to broadly effective and sustainable industrialization.</p>	<ul style="list-style-type: none"> • Job creation in more than 50 countries. • Corporate Responsibility Management for social and ecological development within the Group.
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>12.6. Introduction of sustainable practices and sustainability reporting.</p>	<ul style="list-style-type: none"> • Recording of non-financial performance indicators in a non-financial report, starting in 2017. • Transparent communication with relevant stakeholders regarding environmental, social, and corporate responsibility.
<p>13 CLIMATE ACTION</p> 	<p>13.1. Increase in flexibility in terms of climate related risks and natural disasters.</p>	<ul style="list-style-type: none"> • Measurement of direct and indirect CO₂ emissions. • Measures to reduce energy consumption and emissions.
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>16.3. Supporting rule of law on the national and international stage</p>	<ul style="list-style-type: none"> • Ensuring legal regulations are followed using the Code of Conduct and corporate guidelines. • Organization and processes in order to report violations or identify them in other manners.

 United Nations Sustainable Development Goals: <https://sustainabledevelopment.un.org>

Implementation of the United Nations Global Compact Principles

NOVOMATIC is committed to the ten United Nations Global Compact (UNGC) principles. It is the largest global initiative for the implementation of corporate responsibility and sustainability. This report serves to detail the progress. You can find a summary of every SDG goal and page numbers for the contents in the "GRI-, SDG-, UNGC- and NaDiVeG-Index" of this report.

UNITED NATIONS GLOBAL COMPACT PRINCIPLES

Human Rights:

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.

Labor:


3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labor.
5. Businesses should act in support of the effective abolition of child labor.
6. Businesses should act in support of the elimination of discrimination in respect of employment and occupation

Environment:

7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Corruption Prevention:

10. Businesses should work against corruption in all its forms, including extortion and bribery.

 United Nations Global Compact:
www.unglobalcompact.org

Anchoring within the organization

The Group Corporate Responsibility & Sustainability Department is responsible for the strategic, structural, and impact-oriented management of Corporate Responsibility at NOVOMATIC. This department reports directly to the NOVOMATIC AG Executive Board. The coordination of strategic CR challenges, as well as opportunities and risks, is based on regular conversation, both with the management of the company and with NOVOMATIC AG's Corporate Responsibility Supervisory Board. The CR Committee is made up of members from the Supervisory Board. The job of the Committee is, in cooperation with Group CR Management, to identify strategic CR issues, risks, and opportunities, and to present corresponding action proposals to the Managing Directors. The Committee highlights how strategically important CR is at NOVOMATIC. It meets around three times a year as needed.





Mrs. Martina Flitsch, Acting Chairwoman of the Supervisory Board

"NOVOMATIC is clearly positioned as a provider of responsible and safe gaming. This guarantees both support from the company's stakeholders and continuous licensing approval."



Mrs. Martina Kurz
Member of the Supervisory Board

"I believe that corporate culture is an important foundation for the success of the company. After all, the goal is to keep the best employees with the company and encourage the best job applicants to apply."



Mrs. Barbara Feldmann
Member of the Supervisory Board

"NOVOMATIC is a global gaming technology group that guarantees the highest quality and fair gaming conditions. The company provides its customers with perfect entertainment in a trustworthy and controlled environment."

In addition, the Corporate Responsibility Board holds quarterly meetings to support continued development and conversations on subjects related to CR within the Group. The CR Board is made up of representatives from the most important Group functions, Austrian operative units, and internal experts on relevant CR subjects. The Board shares CR relevant information and presents and discusses suggestions on implementation. This ensures a high level of integration in all operative and supporting business units.

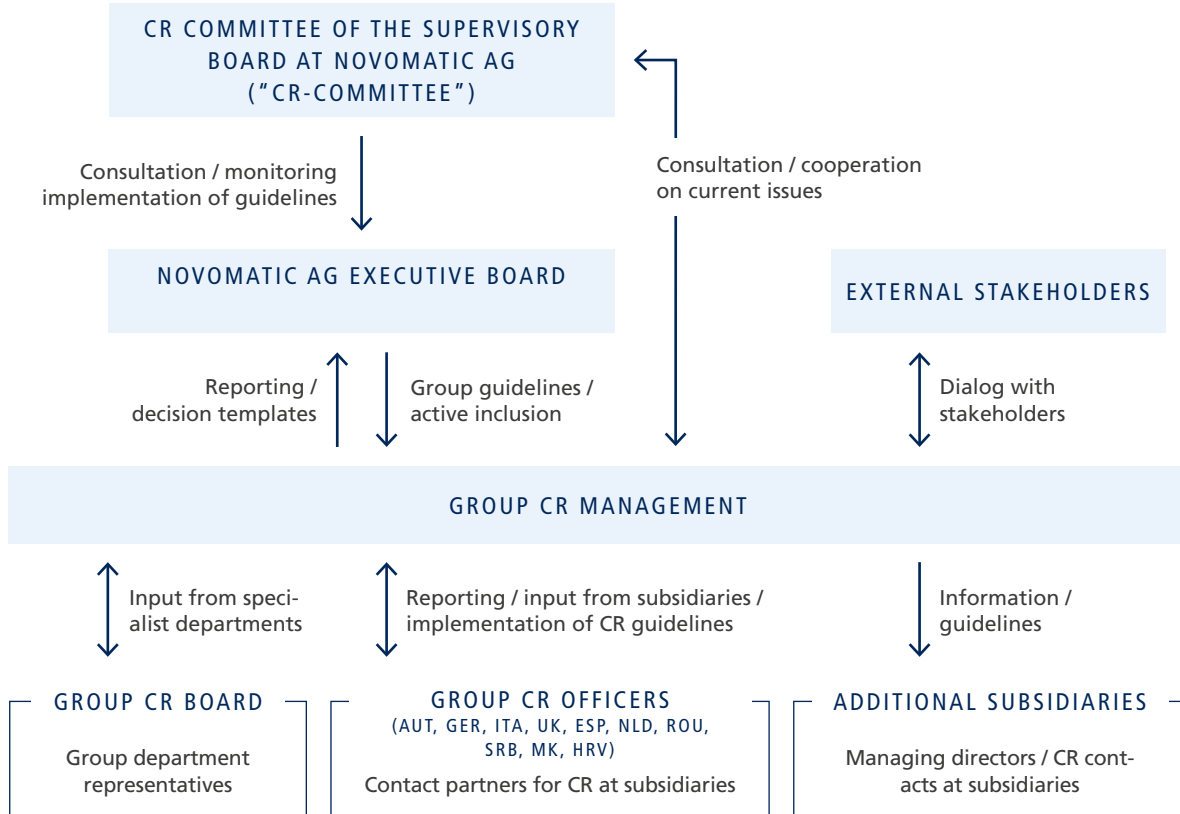
The major subsidiaries are integrated into the CR team in terms of international coordination, control, and measurement of CR fields of action. Each CR Officer within a subsidiary delivers CR relevant information to headquarters, implements measures and projects, ensures guidelines are met, and maintains a dialog with local stakeholders. They engage regularly in CR team calls, international meetings, and a continuous bilateral exchange of information.

In addition, in 2017, a comprehensive set of non-financial performance indicators was defined for the strategic fields of action, in order to ensure that the development of Group CR performance can be measured.

In 2018, the list of integrated subsidiaries was expanded to include the Netherlands, Romania, Croatia, Serbia, and Northern Macedonia. Additional material companies will be added in the coming year.

This CR governance structure ensures that CR aspects are anchored in all strategic and operative procedures.

Organizational anchoring of CR Management



GRI 102-18, 102-20

HOW TO READ THIS REPORT

The Corporate responsibility (CR) report is published each year. The last CR report was released on April 27, 2018. Unless otherwise stated, all information and data refer to the 2018 fiscal year from January 1 to December 31. Figures are taken from the cut-off date of December 31.

This report, unless otherwise noted, deals with those companies identified as significant in terms of their relevance for business and in regards to their non-financial impact. They are therefore referred to as core companies, in order to differentiate them from the complete financial scope of consolidation. Unless otherwise stated, all information and data refer to the report scope represented below.

This includes, via direct data collection, around 70 percent of the employees from the NOVOMATIC AG Group. The data for the remaining companies is, if not otherwise noted, projected so as to provide complete coverage of the NOVOMATIC AG Group scope of consolidation (including discontinued companies).

GRI 102-50, 51, 52

In the future, the Group plans to integrate all remaining significant subsidiaries into its CR reporting.

Material companies of the NOVOMATIC AG Group included in the report

Country	Gaming Technology	Gaming Operations
Austria	NOVOMATIC AG (incl. former NOVOMATIC Gaming Industries GmbH)	ADMIRAL Casinos & Entertainment AG, ADMIRAL Sportwetten GmbH, HTM Hotel und- Tourismus Management GmbH
Germany	LÖWEN ENTERTAINMENT GmbH (locations Bingen, Rellingen)	ADMIRAL Spielhallen Gesellschaften with ADMIRAL ENTERTAINMENT GmbH, Admiral Play GmbH, Automaten Service Playtime GmbH, BeKu Automaten & Gastronomie Service GmbH, BPA Freizeit- & Unterhaltungsbetriebe GmbH, BRONCO Automaten Immobilien und Gaststätten GmbH, Casino Deluxe Beteiligungsgesellschaft mbH I, Casino Deluxe Beteiligungsgesellschaft mbH III, Casino Deluxe Beteiligungsgesellschaft mbH IV, Casino Entertainment GmbH & Co KG, Casino Macau GmbH, Casino Roxos GmbH, Casino Royal GmbH, City Freizeitanlagen GmbH, Conrad Spielautomaten Gesellschaft mit beschränkter Haftung, Domino-Automaten-Betriebs-GmbH, EZEA GmbH, Gelsenautomaten Verwaltungsgesellschaft mbH, HGV Automaten-aufstell- und Spielhallen GmbH, HP Automatenbetriebs GmbH, Ideal Entertainment GmbH, Königstrasse Spielstätten und Automaten UG, Moisinger Spielstätten und Automaten UG, Mühlenstrasse Spielstätten und Automaten UG, Neulin GmbH, NWC NORD WEST CASINO GmbH, Play-Point Spielhallen- und Automatenbetriebsgesellschaft m.b.H., Red Devil Spielothek GmbH, Spielinsel Vermietungs GmbH, Spieloase GeBo GmbH & Co KG, Spieloase Herne GmbH, Spieloase Relax Automatenaufstellungs- und Vertriebs-GmbH, Spieloase TRIO-Automatenaufstellungs- und Vertriebs-GmbH, Turhan Spielsalon GmbH, VGS Betriebsgesellschaft mbH, WGV Entertainment GmbH, ZS Casino Emsland GmbH; Spielbank Berlin GmbH & Co. KG (Potsdamer Platz)
Italy	Admiral Games S.r.l., Admiral Gaming Network S.r.l., Admiral Pay Istituto di Pagamento S.r.l., Electro System S.p.A., Novarmatic Group S.r.l., NOVOMATIC Italia S.p.A.	Admiral Entertainment S.r.l., Admiral Interactive S.r.l., Admiral Sport S.r.l., Admiral Time S.r.l., Allstar S.r.l., ALP S.r.l., Bingoland S.r.l., Capecod Gaming S.r.l., Casino Delle Alpi S.r.l., Fec S.p.A.
United Kingdom	Astra Games Ltd., Bell-Fruit Group Ltd., Gamestec Leisure Ltd., Playnation Ltd.	Luxury Leisure Ultd., RAL Ltd.
Spain	Admiral Slots S.A., GiGames S.L., Interseven Gaming Team S.L., NOVOMATIC Gaming Spain S.A., OTIUMGI S.L., S4Gaming S.L.	Admiral Casinos S.A., Admiral Gaming Andalucía S.A., Admiral Gaming Castilla y León S.L., Admiral Gaming Madrid S.L., Admiral Operations Spain S.L.U., Aloragaming S.L., Automáticos Surmatic S.L., Basque Gaming S.L., Comercial Txartel S.L., Erreka Games S.L., Gran Casino Aljarafe S.A., Juegos Automaticos Nacidos Para el Ocio S.L., NOVOMATIC Services Spain S.L.U., Recreativos del Este S.L., Recreativos Hispajuegos S.L., Salones Macao S.L., Verajuegos S.L.

Netherlands	Elam Group Electronic Amusement B.V., Eurocoin Gaming B.V., Eurocoin Interactive B.V., NOVOMATIC Development NL B.V.	<i>Biermann's Bingo B.V., Casino Admiral Holland B.V., Casino Admiral Staff B.V. (CAS BV), Casino Admiral Zeeland B.V., NOVOMATIC Exploitatie NL III B.V., NOVOMATIC Exploitatie NL I B.V., NOVOMATIC Exploitatie NL II B.V., NOVOMATIC Services NL B.V., Recreatieprojecten Zeeland B.V., Rio Vught B.V., Casino Admiral Appelscha B.V., Super Game B.V.</i>
Romania	Novo Investment RO SRL, Novo VLTech Solutions SRL	Admiral Leisure SRL, Bet Master SRL, Intertop Leisure SRL
Serbia	Novomatic Lottery Solutions d.o.o. Beograd	Admira d.o.o, Millennium Bet d.o.o.
North Macedonia		Makoten DOOEL, MA Gaming DOOEL, Masterbet DOOEL
Croatia		Interigre d.o.o.
Albania		<i>Adriatik Game Sh.a., Astra Albania Sh.a.</i>
Bosnia and Herzegovina		<i>AK COMET d.o.o. Zivinice, AMONIQ d.o.o. Zenica, CRVENO-CRNO d.o.o. Mostar, RSA Gaming d.o.o.</i>
Bulgaria		<i>Villox Group EOOD</i>
Estonia		<i>Novoloto OÜ</i>
Hungary	<i>NOVOMATIC Hungária Kft.</i>	
Latvia		<i>Alfor SIA, Admiralu Klubs SIA</i>
Lithuania		<i>Novogaming Vilnius UAB, VSGA UAB</i>
Montenegro		<i>MNA Gaming d.o.o.</i>
Poland	<i>NOVOMATIC Technologies Poland S.A.</i>	<i>Estrada Polska Sp. z o.o.</i>
Russia	<i>Octavian Game Art OOO</i>	
Belarus		<i>Planeta IGR PUE</i>
Online	<i>AbZorba Games I.K.E., Bluebat Games Inc., Greentube (Gibraltar) Ltd., Greentube Internet Entertainment Solutions GmbH, Greentube Slovakia s.r.o., Greentube UK Ltd., Platogo Interactive Entertainment GmbH</i>	FUNSTAGE Spielewebseiten Betriebsges.m.b.H., Greentube Malta Ltd.
Other countries	All companies in the scope of consolidation (including discontinued companies) that were missing from this list were extrapolated.	

The core companies are those shown in bold letters. For these all non-financial information and data were recorded directly. In addition, companies listed in italics are additionally included in all information in the chapter "Enjoy Working with Us", with the exception of the accident rate.

All other companies in the scope of consolidation (including discontinued companies) that are missing in this list were extrapolated because directly recorded values are not available.

The order of the companies is alphabetical. The countries of strategic importance.

The information and data in this report are based on the Global Reporting Initiative (GRI) definition of GRI-Standard: Option Core. This report is equivalent to the yearly Communication on Progress Report in accordance with United Nations Global Compact principles.

✔ GRI 102-54

This report also provides information required by the Austrian Law on the Improvement of Sustainability and Diversity (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG) with regards to non-financial key figures. An exact list of the fulfillment level and the GRI Indicators referenced, the Sustainable Development Goals, the UN Global Compact principles, and compliance with NaDiVeG requirements can be found in the integrated "GRI-, SDG-, UNGC-, and NaDiVeG-Index".

In order to improve readability, some terminology is used only in its masculine form. Statements referring to people apply to both men and women.

The report, including the integrated index and all non-financial key figures, can be accessed online at:

 www.novomatic.com/cr

Implementation of requirements from the §§ 243b and 267a of the Austrian Commercial Code, as well as the correctness of selected information in the report was checked by the certified public accounting firm Deloitte Audit Wirtschaftsprüfung GmbH. You can view the audit certificate at the end of this report.

CORPORATE RESPONSIBILITY- MANAGEMENT

NOVOMATIC is committed to transparency and regularly enters into dialog with its stakeholders to provide information on further developments for significant CR issues, as well as to receive valuable inspiration for continued development.

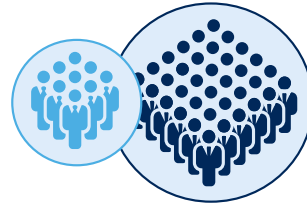
In the last few years, CR management at NOVOMATIC has been continuously developed. The focus has been on expanding the CR organizational structure, the relevant roles and responsibilities within the company, the development of a Group-wide CR strategy and CR principles, introduction of a Group-wide CR key indicator system, as well as increased stakeholder dialogs. These measures are the foundation for structured development, control, and performance measurement to be performed this year. In 2018, attention was focused on Group-wide measures for gaming addiction prevention and player protection. One example is the certification of the largest subsidiaries in accordance with the G4 player protection standard. In 2019, the focus will be on improving external environmental, social, and governance ratings, as well as using ecological efficiency potentials.

Stakeholder Dialog

Transparent and open dialog with all company stakeholders is a central element of NOVOMATIC's CR activities. The stakeholders include all legal entities and natural persons on which our corporate activities have any sort of effect or that can influence NOVOMATIC in some way. The goal is to understand the requirements, expectations, and development perspectives of the stakeholders with regard to the company's CR activities. For this reason, the company maintains a dialog with all these different stakeholder groups. This helps to maintain a balance between the company's stakeholders' requirements and its corporate goals.

This balance allows for proper evaluation of significant CR issues from a stakeholder perspective and helps identify potential areas of improvement, which in turn helps to set priorities within CR management.

Overview of NOVOMATIC stakeholders



- **Internal stakeholders:** owners, company management, employees
- **External stakeholders:** customers, business partners, politics and authorities, industry experts and representatives, trade associations, investors and financial institutions, media, sponsoring and donation partners, training institutions, player protection and therapy institutions, NGOs (not focused on player protection), experts in the area of social responsibility

NOVOMATIC is aware that not all stakeholders share its perspective and that there are some critical elements. Transparency is, therefore, an important corporate value that helps to maintain an open and constructive dialog with stakeholders. In 2017, the company carried out a comprehensive process to identify the most important stakeholders. Their perspectives, expectations, and priorities regarding CR issues at NOVOMATIC were recorded and evaluated. The company carried out an online stakeholder questionnaire with 120 participants, structured interviews with experts in the area of player protection and gaming addiction prevention, as well as bilateral conversations with selected stakeholders. The results of this process were then used to identify and evaluate the most significant Corporate Responsibility fields of action. How the stakeholders view the individual fields of action is represented by the materiality matrix.



(from left to right) Prof. Dr. Konrad Paul Liessmann, Dr. Eva Glawischnig, Dr. Oliver Scheibenbogen, Mrs. Alice Schogger
 7. NOVOMATIC & ADMIRAL Stakeholder-Forum „Companies on the test bench: tensions between corporate responsibility and personal and social responsibility“
 22. November 2018, Vienna

On November 22, 2018, the 7th NOVOMATIC & ADMIRAL Stakeholder Forum took place. More than 200 participants met for constructive and critical dialog at the Novomatic Forum. The keynote speech by Prof. Dr. Konrad Paul Liessmann (essayist, cultural publicist, University of Vienna) and the following high-profile podium discussion between Dr. Oliver Scheibenbogen (Director of Clinical Psychology, Activation, Therapy Planning, Anton Proksch Institute), Dr. Eva Glawischnig (Head of Corporate Responsibility & Sustainability, NOVOMATIC AG), and Mrs. Alice Schogger (Director of the Player Protection Staff Unit, Austrian Ministry of Finance) were focused on the topic “Companies on the test bench: tensions between corporate responsibility and personal and social responsibility”. The discussion on CR activities in the area of gaming addiction prevention and the reduction of the corporate ecological footprint was then continued with the stakeholders.

Due to the increasing importance of the Environmental, Social, and Governance (ESG) evaluations, NOVOMATIC also carried out numerous conversations with its major investors and banks. In 2019, the focus will be on improving this evaluation.

Last year, the stakeholder questionnaire for evaluating the significant CR issues at NOVOMATIC was also carried out by the subsidiaries LÖWEN ENTERTAINMENT GmbH and NOVOMATIC Italia S.p.A. Also the same questions were asked as part of the business-to-business customer satisfaction survey. The results of the evaluation and the feedback were then entered into the Group materiality matrix.

Of course, every NOVOMATIC subsidiary is involved in direct dialog with its stakeholders.

NOVOMATIC communicates with its stakeholders across a variety of channels, for example, direct conversation, working groups, workshops, at events, through reports, via the website, and social media. In this CR report, all stakeholders can view information on CR objectives, principles, measures, and results.

✓ GRI 102-40, -42, -43

The following summary is a list of different types of information, dialog, and direct cooperation with our stakeholders:

Information	Dialog	Participation
Creating transparency, Providing information	Open exchange, listen and learn	Active participation, Project realization
CR Website: www.novomatic.com/cr	NOVOMATIC Stakeholder Forum	Partnerships in the areas of addiction prevention, science and research, social affairs, and long-term financial support for addiction therapy centers
Annual CR reporting: In accordance with GRI standards, the EU Directive on Non-Financial Information, progress report in accordance with the UN Global Compact and the Sustainable Development Goals (SDGs)	Personal talks with relevant stakeholders and specialists	Proactive dialog and continued development with the industry in committees on CR and in particular player protection issues as part of the industry associations EUROMAT (Europe) and AGA (USA).
Regular reporting to supervisory authorities	Participation in international expert conferences	Active exchange and cooperation with local CR specific platforms, interest groups, events, and workshops
Intranet news for employees	Dialog on Environmental, Social, and Governance (ESG) issues with investors and banks	Internal CR Board meetings for ongoing coordination within the NOVOMATIC AG Group
	Dialog on CR issues with employees as part of NOVOMATIC Welcome Days and the NOVOCCompany Day	Employee satisfaction surveys

THE CORPORATE RESPONSIBILITY DEPARTMENT
WOULD BE PLEASED TO RECEIVE ANY FEEDBACK
OR SUGGESTIONS YOU MAY HAVE.


Group Corporate Responsibility
Tel.: +43 2252 606 0
E-mail: cr@novomatic.com

NOVOMATIC views membership in interest and industry groups, as well as in organizations with agendas focusing on sustainability or corporate responsibility, as an important part of its dialog with relevant stakeholders. The following memberships allow NOVOMATIC to apply its experience to a variety of issues, such as protection of players and minors, both within and outside of the industry, and allow the company to share its expertise not just internally but also with other corporations:

NOVOMATIC companies	Interest groups Relevant local chambers of commerce, industry and business associations, Corporate Responsibility and Responsible Entertainment associations (excerpt)
Group-wide	American Gaming Association (AGA) und der Responsible Gambling Collaborative
	European Gaming and Amusement Federation (EUROMAT) and the working group Social Responsibility
	European Lotteries Association (ELA)
	European State Lotteries
	Gaming Standard Association (GSA)
	North American Association of State and Provincial Lotteries (NASPL)
	United Nations Global Compact (UNGC)
	World Lottery Association (WLA)
Austria	Federation of Austrian Industry, Economic Chamber Austria, respACT – austrian business council for sustainable development
Germany	Bundesverband mittelständische Wirtschaft (BVMW), Verband der deutschen Automatenwirtschaft e.V. (VDAI), Die deutsche Automatenwirtschaft e.V. (DAW), Deutscher Automatengroßhandelsverband e.V. (DAGV), Deutscher Nachhaltigkeitskodex
Italy	Associazione Concessionari Sale Bingo (ASCOB), Associazione Nazionale Italiana Bingo (ANIB), Servizi Apparecchi per le Pubbliche Attrazioni Ricreative (SAPAR), Assotrattenimento 2007, CSR Manager Network Italy
United Kingdom	British Amusement Catering Trade Association (BACTA), Gambling Business Group (GBG)
Spain	Corporación Iberoamericana de Loterías y Apuestas de Estado (CIBELAE), Confederación Española de Organizaciones Empresariales (CEOE), Club de Convergentes
Netherlands	Gaming in Holland, Sectie Amusementscentra (SAC)
Romania	ROMSLOT – Asociatia Organizatorilor de Sloturi
Serbia	The Serbian Chamber of Commerce and Industry of Serbia (CCIS)
North Macedonia	APIS Association
Croatia	Hrvatska udruga priređivača igara na sreću (HUPIS)
Online	Remote Gambling Association, Gamble Aware

Material issues

The five areas of action: Responsible Entertainment, Enjoy Working With Us, Always Compliant, Going Green, and Active in the Community, create the strategic pillars of the company's corporate responsibility activities. Within these pillars, there are many fields of action for which NOVOMATIC assumes responsibility. These fields of action are included and prioritized in the materiality matrix.

 Global Reporting Initiative Standards:
www.globalreporting.org

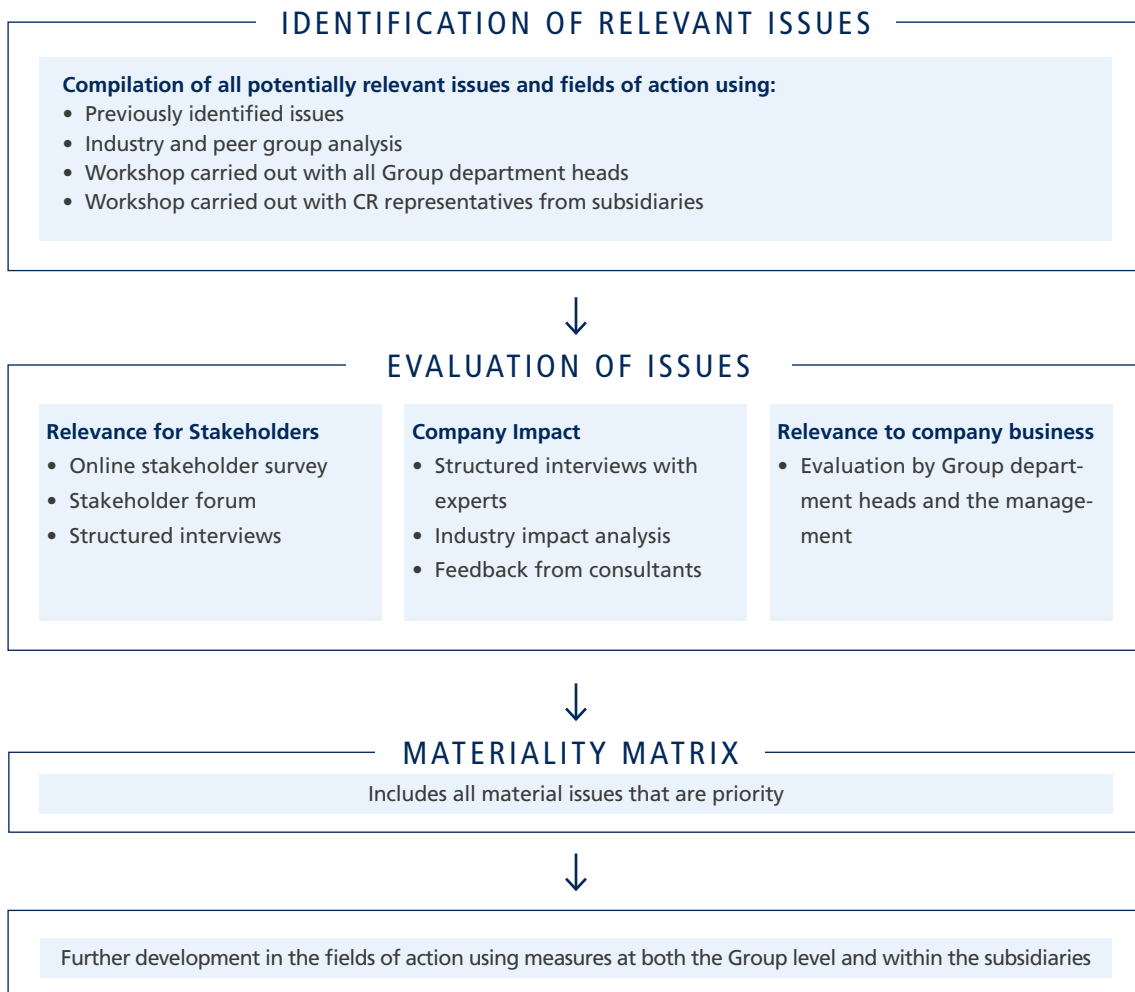
The Materiality Assessment

In 2017, the company implemented a comprehensive process for identifying and evaluating material corporate responsibility issues. In doing so, NOVOMATIC used the international materiality assessment from the Global Reporting Initiative (GRI), basing the process on good practice in our industry.

This included the following steps, among others:

- Identification of relevant issues
- Evaluation of the issues in accordance with their relevance for stakeholders, the effect of the company, and the relevance for NOVOMATIC's business activities
- Creation of a materiality matrix with all major issues

Process of defining issues for the materiality matrix and measures

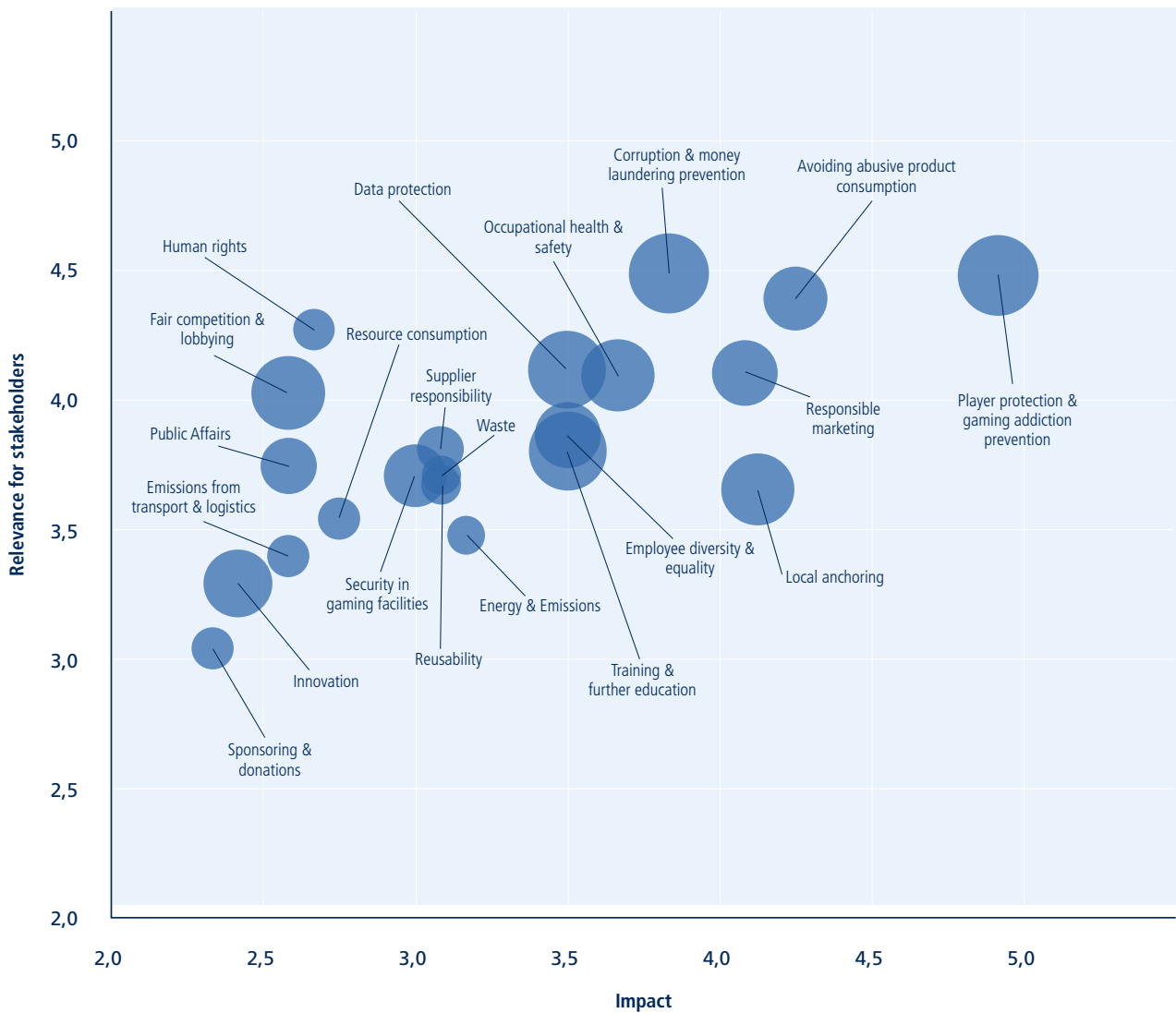


The following image of the materiality matrix shows those issues that are relevant from the point of view of external stakeholders, as well as on which of NOVOMATIC's business activities have an impact and are important for the company's success. All issues represented are part of CR Management.

The materiality matrix will be updated in 2019 based on results from the business-to-business customer satisfaction survey carried out by NOVOMATIC, as well as the online stakeholder questionnaire implemented in Germany and Italy.

The Y-axis shows the relevance of the CR subjects according to NOVOMATIC's external stakeholders (for example: authorities, customers, partners, interest groups, opinion leaders, experts etc.). The X-axis shows the degree of positive or negative impact that business activities have on each issue. The size of the circle shows the relevance of the issue for NOVOMATIC's success. The evaluation goes from 0 – not relevant/no impact to 5 – very relevant/very large impact.

Materiality matrix 2019



The higher the relevance for the company's stakeholders and the impact of business activities, the higher it prioritizes the structured further development and improvement of its CR performance in these areas. Therefore, the image should be read from the top right to the bottom left.

The evaluation of the impact of business activities prescribed by the GRI standards and the EU Directive on Non-Financial risks has been included in the matrix. The size of the circle represents relevance to the business, which is a new dimension within the matrix. The image, and therefore the priori-

ties, cannot be directly compared with the materiality matrix from 2017.

This report deals with all CR issues identified as material, based on their priority within the materiality matrix and the availability of the information. The issue of local responsibility is represented in many different places on the chart as it is an interdisciplinary issue.

☑ GRI 102-44, 46, 47, 103-1, 103-3

CR relevant principles, standards, systems, and certifications applied within the Group

Tool	Context	In use from
United Nations Global Compact (UNGC) Principles	Corporate initiative founded in 2000 by UN General Secretary Kofi Annan, currently has more than 9,000 members. Illustrates ten principles for responsible trading. Within the framework of this report, NOVOMATIC publishes a UNGC Communication of Progress (COP).	May 2014
United Nations Sustainable Development Goals (UN SDGs)	17 measurable goals in regard to sustainability, which, starting in 2016 as a successor of the Millennium Development Goals (MDGs), provide guidance to all countries across the globe and also to corporations. NOVOMATIC uses these SDGs as a strategic guide and provides information within the framework of this report.	2015
Global Reporting Initiative Standards (GRI)	Worldwide de facto standards (GRI Standards) for Corporate Responsibility and Sustainability reporting. Specify, analogue to a dictionary, aspects and detailed indicators in the categories "economic", "ecological", "work practices", "human rights", "society", and "product responsibility", in order to provide a basis for comparison beyond company borders. This year's report is once again oriented on GRI standards.	2011
Quality Management standard ISO 9001	ISO 9001 is an ISO standard for managing numerous quality aspects and provides a basis of evaluation for quality performance. NOVOMATIC has been implementing various forms of ISO 9001 in many of its subsidiaries since 2005.	2005 Level of certification: 51 %
Environmental Management standard ISO 14001	The standard, published by the International Standardization Organization (ISO), helps with management and performance evaluation in regard to ecological aspects such as environmental protection, use of resources, waste, waste water and so on.	2014 Level of certification: 21 %
Health and Safety standard OHSAS 18001 / ISO 45001	NOVOMATIC received certification in Austria in 2018 after the OHSAS 18001 standard in the 2015 revision. NOVOMATIC has been implementing various forms of ISO 18001 in many of its subsidiaries since 2014.	2014 Level of certification: 14 %
Information security standard ISO 27001	This ISO standard specifies the requirements for an information security management system within an organization. It also provides requirements for evaluation and handling of information security risks. NOVOMATIC has been implementing various forms of ISO 27001 in many of its subsidiaries since 2009.	2009 Level of certification: 16 %

Principles, standards, and certifications

In order to proactively manage performance progress and improvement on CR subjects and to proactively manage stakeholders, the company uses a series of CR relevant principles, standards, management systems, and certifications. In NOVOMATIC Group production locations and operational subsidiaries across numerous international locations, the company uses a variety of standards and tools to manage CR subjects. As a base for Group-wide CR management, NOVOMATIC uses relevant standards and guidelines, such as the Sustainable Development Goals (SDGs), the UN Global Compact (UNGC) principles, the Global Reporting Initiative standards, the guidelines on non-financial reporting as published by the European Commission, and also the Austrian Law on the Improvement of Sustainability and Diversity (NaDiVeG).

The degree of certification shows the coverage for employees in the Group by the relevant standard based on the full-time equivalents. Changes from the previous year are the result of the expanded scope of those companies included (core companies).

Last year, NOVOMATIC Italia had the TÜV Süd carry out an external evaluation on the implementation of the ISO 26000 standard. This standard includes the management and integration of social responsibility within the company, a variety of ecological and social issues, as well as dialog with stakeholders. The results of this evaluation were suggestions for improvement in numerous areas that will be implemented in the future.

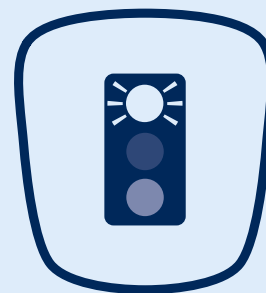
 ISO 26000 Standard:

www.iso.org/iso-26000-social-responsibility.html

In addition to those management tools that are oriented on legal requirements and local customs, there are many higher standards and additional tools used across the entire NOVOMATIC Group.

 SDG 12,6

RESPONSIBLE ENTERTAINMENT



Here is an overview of the principles of action, goals, highlights of the year and planned measures in relation to the strategic fields of action.

OUR COMMITMENT ON RESPONSIBILITY

- “We offer responsible entertainment, and ensure that our products and services are used conscientiously.”
- “We make sure our employees are well trained in player protection and that they pay close attention to identifying problematic behavior and act accordingly.”
- “We prevent minors and other vulnerable groups from using our products.”

GOALS

HIGHLIGHTS 2018

FORECAST 2019

PLAYER PROTECTION & GAMING ADDICTION PREVENTION

Prevent problematic gaming and protect vulnerable groups

- Improve Group organization for player protection
- First Group certifications in accordance with the G4-player protection standard

- Approval and implementation of the amended Group Responsible Entertainment Code
- Expansion of G4 certification within core companies
- Expansion of the NOVOMATIC Biometric System and the LÖWEN CLEVER ENTRY system

RESPONSIBLE MARKETING

Compliance with corporate principles regarding ethical rules in marketing

Ad campaign on Responsible Entertainment by ADMIRAL in Austria

Improve knowledge and implementation of Responsible Marketing principles within the Group

SECURITY IN GAMING FACILITIES

The security of customers and employees in gaming facilities is our top priority

- Hotline for branch employees at ADMIRAL in Austria
- Installation of fog systems for preventing theft at ADMIRAL in Germany

Maintain local security measures

We are a great host at our branches and gaming facilities, which is why we offer responsible gaming and create suitable framework conditions to keep gaming fun.

The figures and graphics presented in this chapter apply, unless otherwise indicated, to all NOVOMATIC AG core companies.

At NOVOMATIC, Responsible Entertainment covers measures for gaming addiction prevention in the gaming segment but also includes measures in the sports betting, lottery, and online gaming segments. The company is well aware of the requirements and expectations of authorities, customers, business partners, and other stakeholders. Responsible Entertainment is a key element in the implementation of business activities at NOVOMATIC. The provision of gaming services is strictly regulated and monitored by the government in many countries. The requirements are defined very differently across Europe, and even within individual countries. The concrete definition of responsible gaming measures primarily depends on the legal framework of the individual markets in which NOVOMATIC is active. The company welcomes clear, legal regulations, and is only active in regulated gaming markets.

Player protection is guaranteed using technical expertise, many years of international experience, and by working together with experts and institutions. NOVOMATIC takes a proactive approach to Responsible Entertainment, which involves all business areas, from the casinos and gaming facilities to sports betting and online gaming. The company uses all available means to implement measures for the protection of players and minors that go above and beyond the legal requirements. Some examples include biometric access restrictions, extensive employee training on gaming addiction prevention, and measures designed to aid responsible marketing practices. You can find more extensive information on these subjects in each relevant section of this chapter.

The most important thing for fun and responsible gaming, in addition to technical player protection measures, is that players assume a degree of responsibility for their own actions. This is why NOVOMATIC takes care to inform players about the risks of excessive use. In addition, depending on local regula-

tions, there may be limitations on the amount of time a person can play, how often they can visit a facility, or the amount they can spend, in order to prevent problematic player behavior.

In 2017, the responsibilities and roles in the area of Responsible Entertainment were clearly defined for the NOVOMATIC AG Group and its core companies. The Group Corporate Responsibility & Sustainability department collects all information on the global requirements and activities concerning this issue. Company-wide goals, requirements, and information offerings have been determined. Group companies remain in regular contact with one another to exchange examples of good practice. The goal is to improve player protection as well as acquire and maintain licenses.

In 2017, non-financial risks were also reassessed in regards to Responsible Entertainment issues. Since then, the assessment has been updated at regular intervals. The risks defined include violations of legal requirements and internal company regulations with regard to player protection, as well as damage to the corporate image or even license loss. The company has implemented numerous measures to minimize these risks. The Group Internal Audit & Risk Management Department monitors compliance with external and internal guidelines.

In 2018, the Group auditing department focused on Responsible Entertainment, compliance with legal requirements, and the Responsible Gaming Code. The plan is to revise this Code in 2019, in order to take into account the results of the new player protection certification.

Responsible Entertainment Measures: Summary

This summary shows the most important responsible entertainment and compliance measures taken in various countries:

	AUT	GER	ITA	UK	ESP	NLD	ROU	SRB	MK	HRV	On-line								
Responsible Entertainment measures	ADMIRAL Casinos & Entertainment AG	ADMIRAL Sportwetten GmbH	ADMIRAL Spielhallen Gesellschaften	Spielbank Berlin GmbH & Co. KG (Potsdamer Platz)	Allstar S.r.l.	Admiral Gaming Network S.r.l.	Admiral Interactive S.r.l.	NOVOMATIC UK Operations	NOVOMATIC Spain Casinos	Admiral Gaming Andaluća S.A.	NOVOMATIC Netherlands Operations	NOVOMATIC Romania Operations	Admira d.o.o.	Millennium Bet d.o.o.	Makoten DOOEL	MA Gaming DOOEL	Masterbet DOOEL	Interigre d.o.o.	Greentube Malta Ltd.
Employee training	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Protection of minors	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Information offering	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Contacts	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Cooperation with therapy & counseling institutions	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Support for research institutes	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Helpline	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Access control system	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Access restrictions	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Technical prevention measures	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Active Responsible	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

● implemented ● implementation is planned ● not currently implemented

Only those companies are represented where operational player protection in the core business is relevant.

The following companies whose implementation is identical in each country are summarized as follows:

NOVOMATIC UK Operations: Luxury Leisure Ultd., RAL Ltd.

NOVOMATIC Spain Casinos: Admiral Casinos S.A., Gran Casino Aljarafe S.A.

NOVOMATIC Netherlands Operations: Casino Admiral Holland, Casino Admiral Zeeland, Novomatic Exploitatie NL I, Novomatic Exploitatie NL II, Novomatic Services B.V., Recreatieprojecten Zeeland, Rio Vught, Casino Admiral Appelscha B.V., Super Game B.V.

NOVOMATIC Romania Operations: Intertop Leisure SRL, Admiral Leisure SRL

- Employee training: Training with a focus on player protection and gaming addiction prevention for employees who have customer contact.
- Protection of minors: In every gaming segment, the company ensures that minors are not allowed to use their products (the relevant local laws apply, e.g. no entry for anyone under the age of 18).
- Information offering: Customers are provided with information designed to raise their awareness of gaming addiction (e.g. self-check, information brochures, etc.). These are designed to support informed and responsible gaming.
- Contacts: Customers have access to contact information for the gaming facility manager or for Responsible Entertainment experts.
- Support for research institutes: Sponsoring activities and partnerships with research, therapeutic, and counseling institutions in order to improve gaming addiction prevention and player protection measures.
- Counseling hotline: Telephone hotline staffed by gaming addiction experts, among others, available to all customers seeking help.
- Access control system: System for collecting specific information in regards to player protection before the gaming device is used.
- Access restrictions: Measures implemented for limiting product use for specific people (e.g. vulnerable groups such as minors).
- Technical prevention measures: Measures to prevent problematic gaming (some but not all symptoms of gaming addiction are present).
- Responsible entertainment dialog: Measures for proactively communicating and entering into dialog with customers and other stakeholders regarding gaming addiction prevention and player protection.

The Responsible Entertainment Code was created by NOVOMATIC as a guideline to provide clear orientation for the various operational units. This Code is used in internal training sessions on the topic of player protection and is provided to every new employee. It is available both to the public and on the NOVOMATIC intranet (NOVONET) in German, English, and Italian.

PRINCIPLES OF THE RESPONSIBLE ENTERTAINMENT CODE

1. Prevention is the best player protection.
2. We protect children and young adults.
3. We communicate responsibly.
4. We strengthen our customers' sense of responsibility.
5. We employ competent staff members.
6. We value informed customers.
7. We make controlled gaming possible.
8. We guarantee fair playing conditions.
9. We work with experienced partners.
10. We take on responsibility in regulated online gaming markets.

 Responsible Entertainment: www.novomatic.com/cr

With the introduction of a new data recording system, a lot of information on player protection has been recorded by the core companies. This includes the player protection measures in use, the tools in use, sponsoring activities and cooperation, certifications, and other information.

A comprehensive analysis of the stakeholders' views on player protection was carried out via an anonymous online survey in 2017 at the Group headquarter level, and in various core companies since then. As an extension of this survey, the company held expert interviews with player protection institutions in order to receive specific feedback on Responsible Entertainment services and development areas.

At the Stakeholder Forum last year, the participants had the option of taking part in a workshop on gaming addiction prevention and discussing various prevention measures. During the workshop, Dr. Oliver Scheibenbogen, Head of Clinical Psychology at the Anton Proksch Institut, and Dr. Monika Racek, CEO of ADMIRAL Casino & Entertainment (ACE), presented the latest facts on player protection and answered questions about the issue.

The knowledge gained and the feedback received, as well the exchange of good practice examples, are the basis of a targeted and effective implementation of Responsible Entertainment at NOVOMATIC.

NOVOMATIC also lobbied for a proactive approach to the issue of responsibility within the core business at various trade associations. With the members of The European Gaming and Amusement Federation (EUROMAT), NOVOMATIC developed principles of social responsibility within the industry that were adopted in 2018. Development of an Implementation Guideline is planned for the coming year.

 GRI 103-2, 417-1

 SDG 12,6

The following sections describe the management approach and the highlights of the company's activities over the last year. These are just a few examples of the numerous measures taken across the entire NOVOMATIC Group.

Player protection & gaming addiction prevention

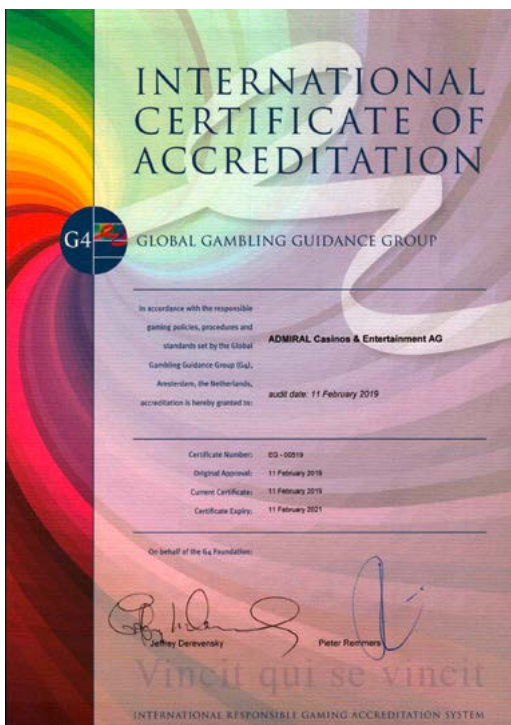
Player protection and gaming addiction prevention are central fields of action for Corporate Responsibility Management. They include all measures used for recognizing and preventing problematic gaming, and offering relevant help if required. This applies not just to gaming in electronic casinos, but also to sports betting, lottery, and online gaming. The Group has been recording measures implemented for these purposes since 2017. These provide the basis for effective further player protection developments. And it has been worth the effort: specialists in the area of gaming addiction prevention gave NOVOMATIC a great rating as part of the stakeholder survey which took place in 2017. The company is doing excellent work in implementing legal requirements and in the area of player protection. The goal is to become the most responsible provider of gaming services and products in the world, and as such there are plenty of innovations planned for the future.

A recurring theme is the question of whether player protection and profit contradict each other. However, surveyed player protection experts and NOVOMATIC as a company do not believe this to be the case. Customers that enjoy gaming, and are able to and want to use NOVOMATIC products over the long term, are the basis for successful business. Every customer that displays problematic player behavior, and therefore is no longer allowed to play, is a customer lost. Effective


and sustainable player protection is important for the customer's sense of wellbeing and is the basis of NOVOMATIC's business model.

Improving player protection was a central theme for CR management in 2018. Arguably the most far-reaching measure is the start of certification procedures for the most important Group companies in accordance with the international player protection standard set by the Global Gambling Guidance Group (G4). This exceeds legal requirements and specialists consider it the most accepted player protection standard in the world. Multiple concrete measures are checked before the certification is awarded. These include internal company Guidelines and Codes of Conduct, quality checks on training for personnel, proof of age, information for customers regarding the risks of gaming, and options for limiting playing time or banning a customer completely.

NOVOMATIC is proud that its subsidiary from Austria ADMIRAL Casinos & Entertainment AG has already received the G4-certification. Further Group companies are currently in the certification process.



G4 certification "ADMIRAL Casinos & Entertainment AG"

In 2019, the plan is to certify additional subsidiaries in Austria, Germany, Italy, the UK, and Spain in the areas of terrestrial gaming, sports betting, and online gaming.  GRI 416-1

Responsible Gaming

Responsibility begins with technical player protection. NOVOMATIC AG, with headquarters in Gumpoldskirchen (Austria), is one of the world's leaders of both research and development on and the production of gaming machines. One NOVOMATIC innovation in the area of Responsible Entertainment is the NOVOMATIC Biometric System™ (NBS). This biometric access system allows authentication of customer identity using a fingerprint or facial recognition, thus also automatically registering the age of the guest. This measure means that the customer can use every gaming device without a customer card or password. Customers can also use payout machines and catering offers in this manner. The advantage for player protection is the unique allocation of biometric data to a registered guest. This means vulnerable groups such as minors and also customers who have been banned from the location can be quickly identified and excluded. A positive side effect: unique recognition is also a more effective measure for preventing money laundering. Every existing casino system can be equipped with NBS.

NBS SYSTEM USE

- Register biometric data, for example using a fingerprint, in a facility
- Create a customer profile – only the biometric data needed for unambiguous identification is required
- Use of gaming devices, payout machines, catering options, or casino hotel via fingerprint
- New options for limiting time spent playing, limiting visits, or banning guests

 G4 Player Protection Certification: <https://www.gx4.com/>



NOVOMATIC Biometric Systems™

The NBS system is the most innovative technology in the industry and is already being used in a variety of countries including Austria, the Czech Republic, Croatia, and Serbia. In 2019, NBS will be implemented at subsidiaries in additional European countries.

i NOVOMATIC Biometric Systems: www.novomatic.com/produkte/gaming/games/novomatic-biometric-systems

LÖWEN ENTERTAINMENT GmbH in Germany (LÖWEN ENTERTAINMENT) developed the CLEVER ENTRY access system in 2012. A test run of this new module with biometric facial recognition, based on the NOVOMATIC Biometric System™, began at the end of 2017 in the ADMIRAL slot arcade in Bingen. Since then, all ADMIRAL arcades in the states of Bavaria, Schleswig-Holstein, and Saxony-Anhalt have been equipped with the CLEVER ENTRY locking system. This creates an access solution for the gaming guest that is both simple and secure. To gain easy and fast access, the guest simply provides legal identification to the service personnel upon entering the arcade. The CLEVER ENTRY scanning device compares, in seconds, the data on the ID document or passport to the list of banned players, without saving any data. After the data has been compared, the guest can enter the arcade - provided they have not been banned and are older than the minimum age required for entry. Access control is therefore discrete while also improving player protection.

i CLEVER ENTRY access solution: <https://www.clever-entry.de>

In 2018, 40 additional ADMIRAL arcades were certified as 'regularly audited gaming facilities' by TÜV Rheinland. This means that a total of around 400 arcades have received the TÜV certificate. The certification confirms that the audited arcades

have clearly defined rules and criteria in place and that they are applied effectively. The TÜV audit catalog consists of 120 questions covering a variety of issues such as licensing, protection of minors, occupational safety, fire safety, and also the social aspects of player protection.

i TÜV "Regularly audited gaming facility": www.admiral-spielhalle.de/verantwortung/tuev-geprueft

The Spielbank Berlin in Germany introduced player protection measures by increasing the number of player protection officers, expanding the information material available to guests, developing a new information card for guests containing information on gaming addiction prevention and by improving collection of employee observation and notification forms in regards to problematic gaming behavior from customers. For 2019, in regards to gaming addiction prevention, the casino plans to evaluate employee knowledge, revise its website, and create an Employee Handout.

The Austrian electronic casinos also use a variety of methods to prevent gaming addiction. In Austria, ACE operates state-licensed gaming locations with gaming terminals in all five provinces in which gaming is allowed (Lower Austria, Upper Austria, Burgenland, Styria, and Carinthia). The legal framework conditions for gaming are considered some of the strictest in the world in Austria and internationally. Player protection design at ACE includes many measures for protecting gaming customers and goes above and beyond the legal requirements. ACE's player protection methods are therefore considered best practice methods within the NOVOMATIC AG Group when it comes to responsible entertainment.



Dr. Monika Racek
CEO of ADMIRAL Casinos &
Entertainment AG

"Fair, transparent market conditions, as well as judicious and moderate regulation, are critical to the success of responsible providers of gaming and sports betting. Again and again, it has been proven that dialog with all stakeholders is extremely important, particularly for the sensitive services we offer."

Despite already high standards, continuous improvement and evaluation of measures related to player protection and gaming addiction prevention have top priority. For example, in 2018, in addition to a new version of the Responsible Entertainment Folder, the company also published a revised version of the employee information folder "Player Protection is Teamwork". This folder explains the main tasks of employees with customer contact and emphasizes their areas of responsibility in regards to player protection. Not only that, the Responsible Gaming Codex was renewed and once again sent to all employees.

After the Integration Fingerprint project was successfully completed in Upper Austria in December 2017, a fingerprint system co-developed by ACE was also implemented in Styria. This new and more secure technology allows guests to check in quickly and simply, and activate gaming terminals in the same way. This guarantees even more security when playing and is a highly effective form of protection of minors. The system will be rolled out in additional provinces this year.

Quality Austria confirmed, as part of ISO 9001 certification, ACE's exemplary implementation of legally required and voluntary specifications in regards to player protection.

i ADMIRAL Casinos & Entertainment AG Responsible Entertainment: www.admiral.ag/en/responsibility/

Player protection measures at ACE were also recognized on the international stage. At the Global Regulatory Awards 2018, awarded by Gambling Compliance, Dr. Monika Racek, CEO of ADMIRAL Casinos & Entertainment AG, received second place in the category "Outstanding Individual Contribution to Responsible Gambling".

i Gambling Compliance Regulatory Awards: gamblingcompliance.com/events/gamblingcompliance-global-regulatory-awards-2018

NOVOMATIC Italia, a subsidiary, took a proactive step for the gaming industry in Italy in light of the ban on gaming advertising, changing all NOVOMATIC Italia Group and Admiral brand websites into splash pages. These are pages that are not search engine friendly and display mainly pictures and flash animation instead of text and links. The transformation means the websites are less likely to be found by chance and instead can only be found with a targeted address.



Splash Page example

i Example Splash Page ADMIRAL Gaming Network: www.admiralgn.it

The subsidiaries in the UK introduced comprehensive online training last year. This included, among other things, training units on player protection issues such as Know Your Customer, customer interaction, customer behavior, and self-suspension. Another measure was introduced as part of the 'Challenge 25' training sessions and was designed to sensitize arcade employees to issues regarding limiting access for minors. The degree of successful age verification tests by authorities has already improved significantly as a result.

All subsidiaries in the UK also took part in the second Responsible Gaming Week. This is a one-week campaign by the gaming industry which uses proactive communication to increase awareness for responsible gaming. During this week, for example, Gamestec Playnation covered its windows with banners, posters, fliers, and other informational material on player protection and tools for player protection, as well as contact information on support facilities.



Gamestec Playnation – facility visit during Responsible Gambling Week
Wayne Johnson, Managing Director Gamestec Playnation Group

i UK Responsible Gambling Week:
responsiblegamblingweek.org/

NOVOMATIC Netherlands also focused on improving player protection in 2018. In addition to the first company-wide achievement of the sought-after G4 player protection certification, all arcade managers were given training on player protection issues. For the coming year, the company plans to test a new access control system based on the NBS.

NOVOMATIC gaming facilities in Spain introduced a new age verification access system. This included, for example, additional identification checks by personnel before allowing entry into the casino.

The Croatian subsidiary Interigre introduced, after its launch in 2016, the NBS access system to all its electronic casinos. The company can now uniquely identify each customer and exclude minors and other vulnerable groups.

The subsidiaries in Romania also introduced a variety of player protection measures. In addition to warnings regarding access restrictions and information material on responsible gaming in ADMIRAL gaming facilities, the focus was on training employees in player protection. They also supported the industry initiative “Joc Responsabil”, which, for example, has a website featuring self-assessments, contact information for support facilities, and contact information for player protection experts.



Player protection information in ADMIRAL Romania casinos

i ADMIRAL Romania Responsible Gaming:
www.admiralromania.ro/en/about-us/responsible-gaming

i Industry initiative “Joc Responsabil”:
jocresponsabil.ro

Responsible sports betting

NOVOMATIC's subsidiary ADMIRAL Sportwetten GmbH (ASW) runs over 260 facilities in Austria and also offers online and mobile sports betting options. The relaunch of its website introduced, in addition to a more modern design, significant improvements in customer security. Customers have the option of limiting the amount they can bet and, therefore, take personal responsibility for adjusting their betting behavior.

In addition to information brochures, such as the customer folder "Responsible Entertainment – tips for responsible handling of sports betting", it provides contact to support and therapy facilities. The ASW customer card helps to guarantee comprehensive player protection.

The Responsible Betting Codex, developed in 2016, serves as a guideline on responsible betting for employees. It includes important principles that employees must follow. All employees receive the Codex when they are hired and it is also the subject of many employee training sessions.

ASW has implemented a variety of measures for protecting minors and betting customers. This includes the introduction of fingerprint technology and expanded ADMIRAL Card requirements. The processes and forms for customer suspension were adjusted to meet the new legal framework conditions. Each facility has a specially-trained prevention representative responsible for holding informational talks with customers once problematic betting behavior has been identified. The goal of these talks is to create customer awareness of the problem and provide motivation for changing betting behavior. The customer is also supported with referrals to external assistance and addiction prevention institutions. In addition to regular internal training sessions on the subject of Responsible Betting, in 2018, employees from Tirol and Vorarlberg took part in joint seminars with external addiction prevention institutions. Regular conversations with experts are an important part of ASW's Responsible Betting strategy.

The General Data Protection Regulation (GDPR), which came into force recently, helped establish additional processes for


protecting personal data belonging to both customers and employees. In light of the new regulation, the operational facilities introduced new Guidelines and employees received training on the subject. Not only that, additional technical mechanisms were introduced in the area of money laundering prevention. These mechanisms allow employees to quickly recognize potential signs of money laundering, contributing to company security.

 ADMIRAL Sportwetten GmbH Responsible Betting: www.admiral.ag/en/responsibility/responsible-betting/

Responsibility in Online Gaming and Lotteries

All around the world, the online gaming market is growing. However, in addition to new gaming options, it also presents challenges for preventing problematic gaming behavior. At the same time, technical possibilities open up new paths to player protection.

One example of this is the player protection measures introduced by Greentube Internet Entertainment Solutions GmbH (Greentube), which is based in Austria and Malta. These measures use a technical system to identify and report problematic player behavior during online gaming. Employees use this information to carry out a detailed check of the player's profile from the point of view of gaming addiction prevention and for preventing money laundering. In the event of behavior deemed problematic, the customer is contacted by experts so that additional measures can be taken. As a developer of online gaming solutions, Greentube also equips its products with technical player protection solutions, such as time limits, betting limits, and self-suspension options. Implementation is carried out by an interdisciplinary team made up of experts for Responsible Gaming, including Customer Service, Compliance and Brand Management employees. In 2019, the goal is to improve the tools that help to control the duration and frequency of play, and the amount being bet.

 Greentube Responsible Gaming: www.greentube.com/responsible-gaming/

NOVOMATIC is active in lottery sales through the subsidiary NOVOMATIC Lottery Solutions GmbH (NLS). Responsible Entertainment has been an important issue in the lottery sector for a few years now. The company received the coveted Responsible Gaming Certification from the World Lottery Association (WLA). Due to growing demands from B2B customers, player protection tools in NLS products were expanded during 2018 under the title "NLS Responsible Gaming Control". These tools include solutions for limiting the number of games and duration of play, and also improved self-suspension options.

 NLS player protection tools:

www.novomaticls.com/responsible-gaming

Responsible marketing

Responsible marketing for the products and services provided by NOVOMATIC and its core companies is another important aspect of Responsible Entertainment. The basics of responsible marketing are described in the Group's Responsible Entertainment Codex.

THE MAJOR PRINCIPLES OF THE GROUP RESPONSIBLE ENTERTAINMENT CODEX

- Gaming and betting are not an alternative to employment.
- No false hopes and unrealistic expectations of profit are created.
- No marketing activities are directed at minors, vulnerable groups, or banned persons.
- No sponsoring activities or donations are made vis-à-vis institutions that primarily have children and minors as their target groups.
- Responsible Entertainment messages are included on marketing wherever possible.

An example of the implementation of these principles at ADMIRAL Casinos & Entertainment AG is that no vulnerable groups are targeted as part of events, promotional activities, or any other marketing measures. The company does not place ads in media that are directed primarily at minors. In

addition, every advertisement contains the player protection logo, information on the minimum player age, notes on playing responsibly, and contact information for a free counseling hotline. Not only that, the company takes care, when using communication channels such as social media, to comply with regulations designed for the protection of minors.

In 2018, just as in 2017, the company designed an advertisement specifically based around the issue of responsibility. The slogan was 'Your Luck, Our Responsibility' and was aimed solely at increasing awareness of how to treat gaming services responsibly.

In 2018, due to the introduction of a ban on gaming advertisement and sponsoring activities in Italy, all Italian subsidiaries in 2018 reduced their communication to the permissible subject of gaming addiction prevention. All websites were expanded and updated with information on player protection, the Responsible Gaming Code for Italian companies was updated, and social media was used to communicate tips on responsible gaming. All measures meet the ISO 26000 standard for social responsibility as published by TÜV-Italy.

Security at gaming facilities

ADMIRAL Casinos & Entertainment AG runs a central hotline with 18 employees, 24 hours a day, 365 days a year. This is one of the main components of the ACE security system, ensuring that guests are well taken care of and gaming facilities are secure. The advantage lies, above all, in the timely and solution-oriented provision of help for facility employees for any and every type of security issue. ADMIRAL service center employees are supported by video monitoring in entrances and gaming areas within the gaming facilities. The system serves in particular to prevent criminal activity and to ensure the safety of all guests on site. They represent the best in technical and logistical security measures.

Over the last year, the ADMIRAL arcades in Germany also took steps to improve security at the facilities. These include, for example, reducing the amount of cash on site at the arcades, or the comprehensive installation of fog machines which make it more difficult to steal cash in the event of a break in.

ALWAYS COMPLIANT



Here is an overview of the principles of action, goals, highlights of the year and planned measures in relation to the strategic fields of action.



OUR COMMITMENT ON RESPONSIBILITY

- “We implement systems that support our legal compliance and act in accordance with the standards set out in the Code of Conduct.”
- “We are all required to make every effort to identify and prevent any and all fraudulent and criminal behavior within the company.”
- “We ensure that our customers’ and stakeholders’ data protection rights are always taken care of.”

GOALS

HIGHLIGHTS 2018

PLANNED FOR 2019

CORRUPTION & MONEY LAUNDERING PREVENTION

Prevention of corruption and money laundering

- Creation of an expanded compliance plan for the NOVOMATIC Group, taking standards from international licensing authorities into consideration
- Further development of Group contract partner audits
- Information included on corruption and money laundering prevention in the Code of Conduct e-learning program
- Implement risk-based preventative measures and Group-wide reporting requirements
- Continued in-person training sessions and support for local compliance managers

DATA PROTECTION

Guarantee protection of personal data for customers, employees, and partners

- Creation of a Group-wide data protection management system with local data protection officers
- Group-wide implementation of the General Data Protection Regulation and accompanying compliance surveys
- Group-wide roll out of an e-learning program on data protection
- Create a Safety & Security Committee as a consulting tool for the Executive Board
- Introduce regular data protection reports

GOALS

HIGHLIGHTS 2018

PLANNED FOR 2019

AVOIDING ABUSIVE PRODUCT CONSUMPTION AND FRAUDULENT COMPETITION

- | | | |
|--|--|--|
| <ul style="list-style-type: none">• Contribute to avoiding abusive product consumption• Stand up for fair competition | Work together with authorities regarding requirements related to unfair competition and trademark violations | Continue working well with authorities |
|--|--|--|

SUPPLIER RESPONSIBILITY

- | | | |
|--|--|--|
| Prevent ecological and social misconduct by suppliers | Supplier self-assessment on quality and environmental management standards | Governance, environmental, and social criteria as an integral part of a new supplier Code of Conduct |
|--|--|--|

HUMAN RIGHTS

- | | | |
|--|--|---|
| Ensure business activities comply with human rights | Human rights taken into account when creating Group Policies | Measures to safeguard the right not to be discriminated against |
|--|--|---|

FAIR COMPETITION & LOBBYING

- | | | |
|---|--|---|
| <ul style="list-style-type: none">• Clear commitment to fair competition• Promote regulated and legal gaming | Enforcement under private law of rights based on laws against unfair competition and the Markenschutzgesetz (Law on Protection of Trade Marks) | Maintain measures designed to promote fair competition and transparency |
|---|--|---|

ALWAYS COMPLIANT

The Group Legal, Group Legal Compliance, and Group Internal Audit & Risk Management departments ensure that legal requirements are met. One major aspect of this is ensuring the Group engages only in those business activities that can be carried out ethically and responsibly.

NOVOMATIC practices social responsibility in all core business segments. The Group embodies this responsibility with the protection of players and minors, gambling addiction prevention measures, responsible advertising, efforts to reduce the company's ecological footprint and the guarantee of a healthy and secure work environment. It goes without saying that there is also compliance with all legal requirements and framework conditions. To ensure that this is true, the company identifies all significant financial and non-financial risks at an early stage, evaluates them, and minimizes them using suitable measures. The Group Legal, Group Legal Compliance, and Group Internal Audit & Risk Management departments are responsible for providing legal certainty.



Dr. Alexander Legat
Head of Group Legal

"NOVOMATIC will continue, as a responsible gaming service provider, to act against illegal gaming, in particular by creating fair market conditions and by working closely with authorities. In doing so, we provide a major contribution for unified protection of players and minors in accordance with the highest of standards."

Group Legal & Group Legal Compliance

The Group Legal Team (Group Legal Department) is the point of contact for all Group specialist departments and there-

fore the port of call for legal questions of all types. The focus here is on the review and preparation of contracts, as well as providing comprehensive legal support for projects and processes. This applies in particular to the areas of mergers and acquisitions, finance, capital measures, and even business development. In addition, Group Legal is responsible for industrial property rights. This covers all legal tasks, including enforcement measures related to technical and non-technical trademarks.


Group Legal Compliance is focused on preventative measures, with the goal of reducing or completely avoiding the risk of breaching legal provisions, in particular, in the areas of anti-corruption, data protection, money laundering prevention, and capital market law. To achieve this goal, the team translates legal requirements into preventative measures. These include, for example, Group-wide binding guidelines, guidelines on instruction manuals, implementation of in-person training sessions, and Group-wide e-learning programs.

Every important company subsidiary has local compliance officers, one per country and region. The relevant duties for local compliance managers are defined in a separate Group guideline. They relate, among others, to consultations with local Group subsidiaries on questions of compliance, monitoring local laws, training employees on issues related to compliance, implementing Group regulations, and reporting to Group Legal Compliance. Of course, no single department can ensure that all employees follow the rules and act in accordance with company values. That is the responsibility of every individual employee and of the entire management team.

The goal of the NOVOMATIC Compliance Management System (CMS) is to guarantee compliance with legal regulations and company values. This is also mentioned in the Code of Conduct, which is binding for all NOVOMATIC Group employees.

Binding Group regulations are created to solidify the Code of Conduct, taking into account the legal framework and a risk-based approach (one example is the Group anti-corruption guidelines). These goals are supported by in-person training sessions and E-learning modules. The compliance manager has prescribed reporting duties to encourage compliance with Group standards. The CMS is based on the seven basic CMS elements according to the German auditing standard for compliance management systems, IDW PS 980.

 IDW PS 980 www.idw.de

The whistleblowing hotline serves to identify violations of legal requirements or the internal Code of Conduct. Any employee can use this hotline to report violations of the Code of Conduct or the law. The report can be made openly or anonymously. The information is then discussed by the Compliance Committee, who determines the next steps. If required, the committee will prepare suggestions for the Executive Board and the Supervisory Board. Every employee, upon beginning their employment, receives a copy of all the important guidelines and documents, such as the Code of Conduct, Responsible Entertainment Code and, the safety guidelines for their location. An employee then receives more information on how these issues relate to their own job as part of the NOVOWelcome Day and via additional training. This also gives employees the opportunity to meet their contact partners in person.  GRI 102-17

THE CODE OF CONDUCT PROVIDES INFORMATION ON

- Basic rules of conduct
- Responsibility to our customers
- Treatment of business partners and other third parties
- Ways to do business
- Company property, confidentiality, and property rights
- Dealing with conflicts of interest
- Correct reporting and data protection
- Money laundering
- Environmental protection
- Contact
- Outlook and consequences in the event of violations

Audit & Risk Management

The Audit & Risk Management department takes care of identifying and evaluating financial and non-financial corporate risks.

The focus of risk management is to identify and analyze risks early and implement active control measures. In addition, the department is responsible for raising risk awareness within the Group and also increasing transparency. Risk management takes care of more than just the financial risks listed in the notes, it also takes non-financial aspects, such as securing licenses by ensuring comprehensive player protection, into account. The Group company and business segment executives are responsible for continuous observation of the risk and opportunity situation, and the active management thereof. Risk officers in the department define measures for managing risks. New risks and opportunities are documented and re-evaluated at regular intervals. The central Risk Management Department is available for consultation whenever required. It also ensures that the risk management system continues to develop.

For example, the environmental and social risks were newly evaluated, and recorded for the first time in 2017. These types of risks were identified by experts from all relevant departments on a Group level. The risks were then evaluated by the Corporate Responsibility (CR) officers in each subsidiary. This largely involved determining the probability that one of the identified risks will come to be, and determining the potential amount of damage. Finally, the risks are transferred to the corporate responsibility risk matrix. The risk issues within the risk matrix are also part of the collective risk management system.

The following risks are listed in the corporate responsibility risk matrix. It only includes topics related to corporate social responsibility.

CORPORATE RESPONSIBILITY RISKS

- Loss of license due to violation of player protection standards
- Lawsuits brought forward by players
- Loss of image
- Occupational safety and health violations
- Violation of employee rights
- Fire damage
- Pollution
- Violation of sponsoring and donation principles

Additional information on key risks can be found in the Risk Management Chapter of the Management Report.

Based on the identified risks, the company sets measures into place designed to minimize the probability of the risk occurring. The subsidiaries are responsible for monitoring process risks.

The Group rules (e.g. Group Policies, Code of Conduct, Responsible Entertainment Codex, etc.) are reviewed through audits carried out by the Group Auditing Department. The goal is to recognize deficits early on and provide suggestions for improvement. In 2018, auditing Responsible Entertainment activities was the focus of Group-wide revision activities. Based on the results, measures were taken to minimize the identified risks in the future.

Over the last year, there has been intensive communication between Group Corporate Responsibility & Sustainability Management and Group Risk Management regarding non-financial risks. For 2019, the plan is to analyze Environmental, Social, and Governance (ESG) ratings, and the associated risks and possibilities. In addition, the focus will be on the new guideline from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for combining enterprise risk management with environmental, social, and governance risks.

 COSO Framework: www.coso.org

Additional information on major risks can be found in the Risk Management Chapter of the Management Report.

 GRI 103-2

The following sections describe the highlights of the company's activities in 2018. These are just a few examples of the numerous measures taken across the entire NOVOMATIC AG Group.

Corruption & Money Laundering Prevention

NOVOMATIC is dedicated to always acting fairly, honestly, and respectably in all business and social activities. The Anti-Corruption Group Guideline defines strict regulations that apply to all Group companies and their employees. The goal of the guideline is to prevent corruption before it happens. This is why the Anti-Corruption Group Guideline contains specific conduct obligations and value limits for certain business activities (e.g. offering or accepting gifts, invitations to events). For example, providing money or in-kind donations to political or non-political organizations is subject to very strict conditions in regards to transparency and documentation. Not only that, exceeding certain thresholds requires a recommendation from the Compliance Committee and approval from the NOVOMATIC AG Executive Board. The issue of anti-corruption is an important segment in the Group-wide e-learning program on the NOVOMATIC AG Code of Conduct.

THE ANTI-CORRUPTION GUIDELINE COVERS

1. Giving or accepting
 - Gifts
 - Business dinners
 - Invitations to events
2. Dealing with sponsoring activities and donations

In the area of money laundering prevention, risk-based regulations were further fleshed out in 2018, audit processes were expanded, and Group-wide reporting requirements, for example on reporting suspicions of money laundering, were enhanced. The Group Guidelines, which deal with minimum requirements for payment transaction and accounting processes, as well as checking contracting partners and reporting, were revised and expanded.

The Group Legal Compliance department developed methods for ensuring a risk-based audit of contracting partners. A compliance questionnaire helps provide adequate transparency regarding the identity and integrity of potential contracting partners. Online screening tools that were rolled out across the Group aid in ensuring defined standards are maintained when complying with legal verification obligations, in particular, international economic sanctions.

These updates were presented as part of the international NOVOMATIC Compliance Manager Day 2018. At the same time, national compliance managers received training on the subject. Newly hired employees also receive basic training on relevant compliance issues. Special compliance training sessions are part of the NOVOMATIC training catalog every year, the contents of which are available to NOVOMATIC AG employees as well as employees of the Austrian subsidiaries ADMIRAL Casinos & Entertainment AG and ADMIRAL Sportwetten GmbH.

 GRI 205-2

Data protection

Ever since the General Data Protection Regulation (GDPR) came into effect in May 2018, customers and employees whose personal data is processed within the company, in particular, have additional rights. The Group has established a Data Protection Advisory Board to oversee the implementation of new regulations and requirements from the GDPR. The Board is made up of the Chief Executive Officer and Chief Financial Officer of NOVOMATIC AG. It is responsible for setting the key goals and strategies for the Group-wide implementation of requirements under the GDPR. The Group also created a Data Protection Committee, which consists of the Chief Information Officer, Chief Information Security Officer, and Data Protection Officer. This committee works on recommendations for supporting local implementation processes within the NOVOMATIC AG Group.

To implement the Data Protection Regulation Act, the Data Protection Committee, created for this purpose, in conjunction with the Data Protection Advisory Board, has started a Group-wide GDPR implementation project. The project includes a variety of process descriptions, for example for implementing individual rights, contractual templates such as the order processing contract, guidelines such as the Data Breach Notification Policy, and IT applications, for example for creating a directory of processing activities. The system ensures that legal requirements will be implemented and made available to all Group data protection officers.

As well as introducing this system, national data protection officers received training, and the Group rolled out a self-designed e-learning program for employees. This takes into account new responsibilities under the GDPR and is addressed, in accordance with the regulations, to every employee involved in processing procedures. This applies, in particular, to those persons who process personal data with the help of automation. In 2018, more than 9.000 NOVOMATIC AG Group employees took the e-learning training course and

received their certificate. The goal for 2019 is an increase in the number of employees trained in accordance with GDPR.

The legal implementation of the various requirements at the Group subsidiaries was determined using Group-wide compliance surveys and taking Group Data Protection Guidelines into account. Based on the results, risk-based measures were introduced designed to avoid any potential breach of legal provisions.

Since its establishment, NOVOMATIC has had an information security management system (ISMS) in place, certified in accordance with the international ISO standard ISO/IEC 27001. This standard describes, in 114 points, which requirements must be fulfilled in order to receive official certification. The most important requirements include structural and personal safety measures, compliance regulations, and measures to ensure operational and network security.

 ISO-Standard ISO/IEC 27001:

www.iso.org/iso/iec-27001-information-security.html

 GRI 418-1

 SDG 16,5


Avoiding abusive product consumption & fraudulent competition

The often imprecise media opinions regarding the division between legal and illegal gaming options present a particular challenge. They mean that the negative effects of illegal gaming are rarely compared objectively to the advantages and necessity of legal and regulated gaming services.

NOVOMATIC clearly and firmly distances itself from any and all illegal and unregulated gaming services. The company believes that gaming is a delicate service that requires clear legal framework conditions. Therefore, NOVOMATIC, as a responsible company, is playing a major role in the fight against illegal gaming, in particular in the form of private enforcement. This refers to enforcement under private law of requirements based on the laws against unfair competition and the Markenschutzgesetz (Law on Protection of Trade Marks). The goal is to prevent unfair market practices and abusive use of NOVOMATIC products and services. These claims provide support for authorities in implementing current law; not only that, NOVOMATIC thereby makes a major contribution to the protection of players and minors.

The Decreto Dignità law was introduced in Italy in July 2018. The law forbids all gaming operators from engaging in any form of advertisement or sponsoring activities. The NOVOMATIC subsidiaries in Italy immediately put these regulations into place. Compliance with these regulations, and others, led – as in previous years – to the companies being awarded a ‘Rating di legalità’ from the Autorità Garante della Concorrenza e del Mercato (AGCM), or Italian competition authority. This rating was raised to the highest level in 2018. It honors good ethical practices by companies and is, for example, a criterion for receiving credit.

 Decreto Dignità: www.gazzettaufficiale.it

 Autorità Garante della Concorrenza e del Mercato: www.agcm.it/servizi/elenco-rating

In other countries, too, the subject of advertisement is drawing more attention from legislators. In general, however, exaggerated and limiting regulations are actually counterproductive to the real goals of regulation, which are balanced regulations in line with the market that are enforceable. Moderate advertising activities from licensed gaming and betting providers serve – as already determined in an ECJ ruling – to channel offers on the regulated market.

Almost all specialists view the introduction of a regulated, legal yet also attractive gaming service, equipped with measures to prevent gaming addiction, as the right path. One reason for this is that it provides market competition for illegal gaming, which is carried out with no regard for the protection of players and minors.

Supplier responsibility

Products from suppliers are an essential part of the production process. This is important because risks associated with suppliers’ products can also become NOVOMATIC’s risks. In order to minimize the risks connected to business partners within the supply chain, NOVOMATIC requires all suppliers to commit to compliance with the law and to reject corruption.

Business partners from around the globe deliver supplies to NOVOMATIC’s headquarters in Gumpoldskirchen. The most lucrative suppliers, which together make up around 75 percent of the total purchasing volume at the company’s headquarters, were subjected to screening over the past few years. The vast majority of these suppliers do not carry any economic, ecological, or social risk. This is due to the fact that

the large majority of suppliers are subject to European law, which requires that minimum standards be met in the areas of environmental protection, employment law, and safety. At the Gumpoldskirchen location, the supplier self-assessment collects information on the level of certification for the quality management norm ISO 9001 and the environmental management norm ISO 14001.

In 2018, the most lucrative suppliers were also subject to an additional risk-based compliance check (Know Your Counterpart). In 2019, the company plans a new version of the Corporate Governance requirements for suppliers.

Foreign Group subsidiaries also require concrete information from their suppliers. For example, suppliers for the German LÖWEN Group have to fill out a supplier self-assessment. This assessment records many aspects of environmental protection, energy efficiency, CO₂ emissions, chemicals used, occupational safety, and quality management. Additionally, they compile information on the level of certification for environmental and quality standards.

NOVOMATIC Italia companies have introduced the ISO 14001 certificate as an addition to the ISO 9001 quality standard.

 GRI 204-1, 308-1, 414-1, 102-9

Human rights

NOVOMATIC is committed to complying with all legal regulations. The company therefore supports compliance with international norms for the protection of human rights within its scope of business. NOVOMATIC is a member of the worldwide company platform United Nations Global Compact (UNGC), and supports its ten principles. Principles 1 and 2, regarding the implementation of international human rights standards and avoiding the violation of human rights, are particularly relevant.

 United Nations Global Compact Principles: www.unglobalcompact.org/what-is-gc/mission/principles

In accordance with OECD guidelines for multinational companies, NOVOMATIC supports:

- Compliance with the United Nations Charter of Human Rights.
- Implementation of international human rights without contradicting applicable national laws.
- Implementation of work and social standards set out by the International Labor Organization (ILO).



- Reduction of any negative effects on human rights as much as possible within the company's activities and campaigning for improvements.
- Addressing misconduct in the area of human rights within its business relationships and using its influence to improve the situation.
- Clear commitment to maintaining human rights from the Managing Directors.
- Human rights due diligence by including human rights in the materiality process and risk management assessments.
- Implementation of due diligence, for example by checking for any potential violations of local laws, international norms, or internal regulations from the Internal Audit and Risk Management department.

 OECD Guidelines for Multinational Companies:
www.oecd.org/corporate/mne/

Due to a high level of vertical integration of more than 90 percent, only a small percentage of production is carried out by external suppliers. The majority of suppliers have company headquarters and production locations within the European Union. This means that the risk of human rights being violated within the supply chain is very low. This was confirmed in 2015 by means of an analysis of ecological, social, and economic risks in the supply chain.

The whistleblowing hotline provides an instrument that helps to uncover any human rights violations and to react appropriately as required. All stakeholders also have the option of contacting the company using the publicly available contact details published in this report for the Group Corporate Responsibility & Sustainability department.


An additional tool for ensuring that human rights are upheld, particularly with regard to equality, is the Equal

Opportunities point of contact introduced in 2017. The point of contact serves to implement the Group guidelines on equal opportunities introduced in 2017.  SDG 8,5, 16,3
 GRI 412-1

Fair competition & Public affairs

The NOVOMATIC Code of Conduct clearly states the company's commitment to fair competition. The NOVOMATIC AG Group will not make any agreements with the competition that could lead to distortion of competition, market-sharing, or price fixing. The Group ensures that company products and services are created using innovation from within the company, and that trademark rights (e.g. patents and brand rights) belonging to others are respected.

NOVOMATIC pledges conscientious and transparent dealing with all national authorities and has even created a binding Code of Conduct for NOVOMATIC AG Public Affairs activities. Active participation, such as the provision of expertise as part of legal decision-making processes, is carried out solely in compliance with all legal requirements. This particularly applies to commitments to transparency. The persons responsible for public affairs on behalf of the company are, for example, registered with the Austrian Public Affairs and Interest Group Register.

When providing information to stakeholders, the company engages in a fact-based dialog. This particularly applies to the sensitive issue of player protection and gaming addiction prevention. This fact-based discussion, which relies on scientific knowledge, is the foundation for continued effective development and implementation of player protection measures.  GRI 206-1

ENJOY WORKING WITH US



Here is an overview of the principles of action, goals, highlights of the year and planned measures in relation to the strategic fields of action.



OUR COMMITMENT ON RESPONSIBILITY

- "We support employee development and offer training and continued education opportunities."
- "We value the diversity of our staff and stakeholders and treat all people equally."
- "We create safe and healthy working conditions in order to avoid accidents and illness."

GOALS

HIGHLIGHTS 2018

FORECAST 2019

TRAINING & FURTHER EDUCATION

Well trained employees

- | | |
|--|--|
| <ul style="list-style-type: none">• Completion of the first International Casino Management program• Update of NOVOAcademy training catalog contents• First apprentice corporate volunteering project in Austria | <ul style="list-style-type: none">• Continuation of the International Casino Management program• Implementation of industry-specific executive development training |
|--|--|

OCCUPATIONAL HEALTH & SAFETY

Prevention of accidents and illness

- | | |
|---|--|
| <ul style="list-style-type: none">• Certification in accordance with BS OHSAS 18001 Occupational Health and Safety norm within the Group• 1st NOVOCCompany Day with participation booths and lectures on health, safety, the environment, and innovation• Multiple Group health measures | <ul style="list-style-type: none">• 2nd NOVOCCompany Day• Recertification of the NESTOR^{GOLD} Seal of Quality in Austria• Recertification of the Seal of Quality in Corporate Health Promotion in Austria• Expansion of health promotion activities |
|---|--|

GOALS

HIGHLIGHTS 2018

FORECAST 2019

EMPLOYEE DIVERSITY & EQUALITY

Promoting diversity and equality for all groups, regardless of ethnicity, religion, gender, sexual orientation, etc.

- Initial implementation of the internal network platform NOVOMoms&Dads in Austria
- Diversity and equality integrated into executive training sessions
- New training concept "Fair play – Mutual respect. Professional conduct in daily business" for Operations

- E-learning program on discrimination and bullying
- Pilot project focusing on recruiting people aged 60+ for Operations in Austria.

INNOVATION

Maintaining highest quality innovation skills

- Start of the Corporate Coding Academy to train future gaming developers
- Implementation of the 'heavy mental' innovation program for the 9th time at NOVOMATIC Lottery Solutions

- Promoting innovation in education and training
- Continuation of the digitalization project Enterprise 4,0 and associated qualifications

ENJOY WORKING WITH US

Employees are the foundation of sustainable success at the NOVOMATIC Group. Healthy, safely working, and motivated employees are innovative, which increases customer satisfaction.

The figures and graphics presented in this chapter apply, if no indication is given otherwise, for all major companies (core companies) belonging to the NOVOMATIC AG Group.

Summary of Key Performance Indicators

	2017	2018	Goal
Proportion of women¹	49 %	54 %	Maintain balance
Of which NOVOMATIC AG	33 %	32 %	
Women in leadership positions²	34 %	44 %	Maintain diversity
Of which NOVOMATIC AG	12 %	13 %	
Turnover rate (employee resignations)³	12 %	18 %	Reduction
Of which NOVOMATIC AG	2 %	4 %	
Sick leave rate⁴	65 %	54 %	Reduction
Of which NOVOMATIC AG	68 %	73 %	
Accident rate⁵	7.0	5.3	Reduction
Of which NOVOMATIC AG	6.0	4.6	
Training and further education hours per employee⁶	10.51	12.36	Intensification
Of which NOVOMATIC AG	9.92	16.48	

All data is for the reporting period 1/1/2018 to 12/31/2018

All indicators were initially recorded Group-wide in 2017.

¹ The total proportion of women is the percentage of female employees compared to the total number of employees.

² Leadership positions are jobs with leadership responsibilities.

³ The employee resignations are the percentage of employees who instigated their own resignation.

⁴ The sick leave rate is the percentage of employees that took at least one sick day. In 2018, to enhance comparability, a switch was made from health rate to sick leave rate.

⁵ The accident rate is the Lost Time Injury Frequency Rate (LTIFR), which is the number of accidents requiring notification per million work hours. This is an internationally defined relative value, providing enhanced comparability, which represents the number of accidents to a reference value of one million work hours. In 2018, the numbers were specified to the number of accidents needing to be reported where the person needed more than three days off work, and not including accidents on the way to or from work.

⁶ Training and further education hours per employee provide the total number of training hours that employees received on average.

The increase in the percentage of women is caused by the addition of other companies, especially in the field of gaming operations.

The improved economic and labor market situation in the core markets is reflected in an increasing fluctuation rate.

By focusing on the health of employees, the sick leave rate could be reduced.

The frequency of accidents decreased by focus on occupational safety, as well as the redefinition of reportable cases from three working days and exclusive commuting accidents to and from the workplace.

Qualification measures for employees led to increasing training and further education hours.

Employees are the company's most valuable capital. It is only thanks to their skills, commitment, and satisfaction that NOVOMATIC has been writing success stories for over 38 years. As a leading production and service operator in the area of gaming technology, new talents that work with us to innovate for the future are always welcome. Employees profit from a creative, secure working environment, exciting tasks, and the potential to apply and further develop their knowledge and skills.

The NOVOMATIC AG Group has around 23,000 employees in the consolidation scope. Of these employees, approximately 3.200 are employed in the Austrian home market, of which around 1.200 are located at the company headquarters in Gumpoldskirchen. Almost half of those employees work in the manufacturing or research and development segments.

NOVOMATIC offers a broad range of professions:

- Research and development in the areas of gaming equipment or game design
- Production of gaming machines and gaming equipment at what is now 16 locations in eleven countries around the world
- Service in casinos and electronic casinos, as well as in licensed betting offices
- Business operations in the areas of human resources, controlling and finance, purchase, compliance, legal, and more
- IT in the areas of IT security, company networking, data centers, and business applications

 More information on NOVOMATIC as an employer:
www.novomatic.com/careers



Dr. Klaus NIEDL
Global Human Resources Director

"Success isn't about how much money you make, it's about the difference you make in people's lives"

All employee-related activities are planned and implemented by the Human Resource departments within the NOVOMATIC AG Group. To ensure coordination across the Group, as well as information offerings, the Group HR department is always in contact with Group subsidiaries. The NOVOMATIC Human Resource Circle meets once a year in Austria; the meeting is attended by many HR officers from the subsidiaries. At the Circle, new NOVOMATIC Group guidelines are explained, focus issues are discussed, and new HR projects are introduced.

In 2017, the company made thorough updates to its list of non-financial risks, including risks related to social concerns. These risks are re-evaluated at regular intervals. The risks recorded apply both to preventing violations of legal regulations and violations of internal Group guidelines. This includes the Code of Conduct as it applies to occupational health and safety and compliance with employee rights. These risks have been minimized as much as possible. The Group Internal Audit & Risk Management Department monitors compliance with external and internal guidelines.

Employees are offered the best possible framework conditions for a healthy, secure, and motivating work environment. This includes activities related to education and training, health, occupational safety, work-life balance, equal opportunities, and diversity. Regardless of their type of employment, all employees have access to the same company offers and social services.

The company is proud to be an attractive employer. This is underlined by the following awards and certificates.

 SDG 9,2,  GRI 102-8

Overview of awards

Award	Description	Received since
	Best recruiters Seal of quality in Gold www.bestrecruiters.at	2016 Bronze 2017 Gold 2018
	kununu Awarded TOP Company & OPEN Company www.kununu.com/at/novomatic	2017
	trendence Graduate Barometer TOP 100 Employers Austria 2017 and 2018 www.trendence.com	2017 2018
	Leading Companies in Austria www.leitbetriebe.at	2015 2018
	auditberufundfamilie Full certificate auditberufundfamilie www.familieundberuf.at	Basic certificate 2015 Full certificate 2018
	Corporate health management network (BGF) Seal of Quality in Corporate Health Promotion www.netzwerk-bgf.at	2017
	NESTOR^{GOLD} www.sozialministerium.at	2016
	Great Place to Start Silver medal www.greatplacetowork.at	2018

TOP-Gewinn

Top-Gewinn Image Ranking
gewinn.com/imageranking/top

NOVOMATIC is currently ranked 6th in the economic magazine GEWINN's image list, once again securing a place amongst the top ten most famous companies in Austria. NOVOMATIC was listed among the top 5 companies in six out of eight categories. The company even achieved 1st place in the category "Career opportunities for talented employees".

2018

✓ GRI 103-2



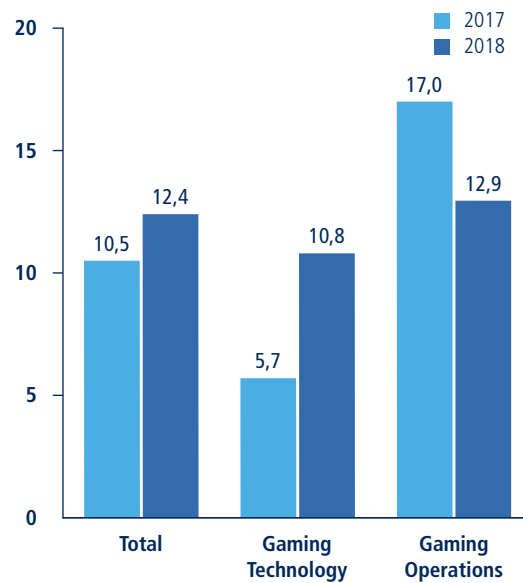
Award of „Great Place to start“

The following sections describe the management approach and some highlights of the HR Department's activities over the last year. These are just a few examples of the numerous measures taken across the entire NOVOMATIC Group.

Training & Further Education

NOVOMATIC is continually developing its hardware and software systems. Its high levels of innovation and excellent specialists have driven NOVOMATIC to become one of the leading gaming technology companies in the world. Therefore, the company's highest priority is education and training for employees. There is a Learning and Development Team that deals with training challenges and services across all departments and business segments. In the future, acquiring skills for the digital transformation, also known as Industry 4,0, will be a new aspect to consider for NOVOMATIC staff.

TRAINING AND FURTHER EDUCATION HOURS PER EMPLOYEE 2017 – 2018



This is the average number of training and further education hours that employees took advantage of.

Qualification measures for employees led to rising education and training hours.

✓ GRI 404-1, 404-2 SDG 5, 1, 8, 2

Attracting the best candidates

In the fight for talent in the job market, NOVOMATIC intends to attract the best candidates for its vacant positions. Every year, the company attends a variety of career and job fairs. Touch tables, video business cards, and 360° virtual reality tours give prospective employees a chance to discover the high-tech world

of NOVOMATIC and find out which apprenticeships are available to them. A particular highlight is that the apprentices themselves represent the company at these events.

Girls' Day

Girls' Day 2018 is an initiative started by public institutions and trade associations that offers girls aged between twelve and sixteen the opportunity to get a glimpse at what it is like to work in a career not typically chosen by women. The goal is to break down traditional structures and encourage girls to decide on technical careers. NOVOMATIC, as a potential employer, supported the initiative for the seventh time with a factory tour, allowing the girls to gain insights into manufacturing, joinery, and game design at NOVOMATIC.

Supporting Apprenticeships

As a leading Austrian company, NOVOMATIC is committed to training apprentices within the company. These courses help develop an apprentice's expertise as well as their personality. For example, an outdoor event is organized for apprentices each year. One goal among many is to introduce the apprentices to issues with courses such as Diversity and Equality at Work, or Inclusivity and External Perceptions. The very first apprentice corporate volunteering project was proof of the importance of offering these developmental opportunities. As part of this project, the apprentices, together with one of their mentors, visited a charitable care home for the elderly. By working on-site, the apprentices strengthened the social competencies they will need throughout their working lives.

Talent amongst the apprentices is also encouraged and supported. After they developed and built a foosball table in 2017, apprentices created a model of the Casino Admiral in Lichtenstein in 2018. Together with their mentors, the joinery apprentices worked painstakingly to create a 1:50 model of the casino using spruce, Plexiglas, and Kapa board.

NOVOAcademy

Each year, the NOVOAcademy publishes a new training catalog for NOVOMATIC AG employees. The contents are selected by the NOVOMATIC Learning & Development Board, which is made up of members from various departments. This exchange is important for increasing training opportunities and offering tailored development measures. An internal

evaluation of qualification measures showed that employees are happy to take advantage of opportunities to train their personal and language-based competencies. Other training options available encompass IT, management, and methods. These topics are important and necessary when considering increasing digitalization at work. Due to the switch to new IT systems, a special training catalog was on offer in 2018. All employees have access to these training courses.

The LÖWEN Group supports employees by providing specialist training, personal and team coaching, and department specific training courses. These options can be selected from a comprehensive training catalog.

Last year, NOVOMATIC Italia developed an e-learning-program on the subject of Responsible Gaming for the employees. In addition, the management team also has access to specialty courses on subjects such as compliance, finance, change management, team building, etc.

Programs for trainees and people with high potential

The support for high potential employees, which began in 2016, was continued over the last year. Employees with particular potential in terms of professional development have the opportunity to take part in the NOVOTalent program. The two-year program includes a variety of content on personal development, basic seminars such as conflict management, project management, business administration, and controlling, culminating in an individually selected specialization.

The International Casino Management Program, introduced in 2016, was successfully completed by the first group of participants in 2018. Eight trainees were selected from 372 applicants and took part in an 18-month training program. The program was completed in April 2018 and participants received their certificates.

The LÖWEN Group ran its internal employee development program, MEP, for the fourth time this year. This two-year program offers tailored training sessions and individual coaching for each participant, in order to support their professional development in a targeted manner.

Occupational Health & Safety

A company is only as successful as the people who run it. And they need a healthy and safe workplace. This is why NOVOMATIC goes above and beyond the legal requirements in this regard. In 2017, the company defined and recorded indicators for occupational health and safety within the Group for the first time. Good practice measures in these areas were shared with subsidiaries by Corporate Responsibility Management.

Integrated Management System

NOVOMATIC AG introduced an Integrated Management System (IMS) at the Gumpoldskirchen location, which meets quality management requirements in accordance with ISO 9001, environmental management requirements in accordance with ISO 4001, and occupational health and safety management requirements in accordance with BS OHSAS 18001. The company is certified in accordance with the current state of these standards. The integrated management system helps all employees at the Gumpoldskirchen location understand the basics of compliance with quality, environmental, and occupational health and safety standards.

On August 3, 2018, the 1st NOVOCCompany Day took place at the Gumpoldskirchen location in Austria. This day combines the NOVOHealth and NOVOSafety Days and gives employees the opportunity to visit around 20 booths providing interesting and educational information on health, safety, and the environment. In addition to a booth providing a first aid refresher course, employees could learn the correct way to use a fire extinguisher, listen to lectures and participate in workshops on mental health, have their health monitored, and get active at the basketball and soccer/darts-booths. A total of 330 people took part in the 1st NOVOCCompany Day. The day ended with a BBQ buffet for everyone.

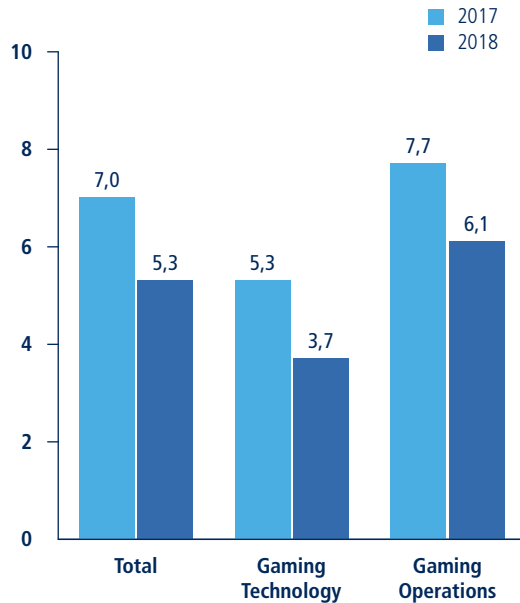
Occupational safety

Compliance with legal and normative requirements at the Gumpoldskirchen location is evaluated using regular inspections focused on occupational health and safety and environmental protection, and improvements are suggested as necessary. All activities carried out in connection with occupational safety have to meet the new international standard ISO 45001. This standard replaces the previous BS OHSAS 18001-standard. Not only that, all employees at the Gumpoldskirchen location can take part in free basic and refresher first aid-courses.



NOVOCCompany-Day

ACCIDENT RATE LTIFR 2017 – 2018



The accident rate is the Lost Time Injury Frequency Rate (LTIFR), which is the number of accidents requiring notification per million work hours.

This is an internationally defined relative value, providing enhanced comparability, which represents the number of accidents to a reference value of one million work hours. In 2018, the numbers were specified to the number of accidents needing to be reported where the person needed more than three days off work, and not including accidents on the way to or from work.

✓ GRI 403-2, -6, -9 SDG 3,9, 8,8

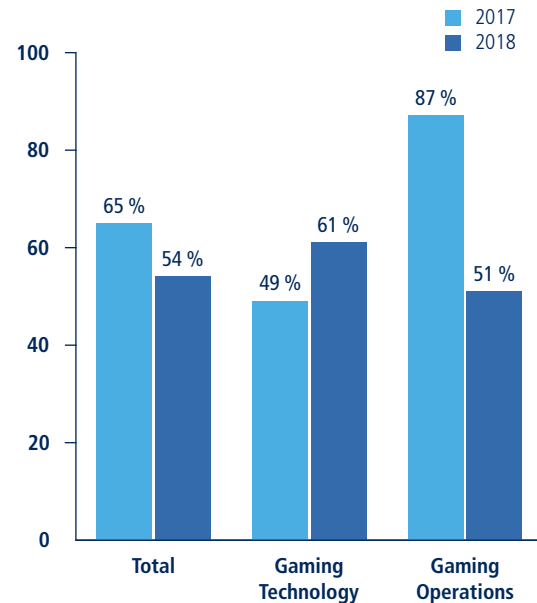
Health Management

Healthy employees perform better. Which is why, in 2017, NOVOMATIC put its best foot forward for health management at the Gumpoldskirchen location. The interdisciplinary NOVOHealth-Management Team uses regular health circles to discuss current health-related issues.

In 2018, the circles for ergonomics, nutrition, and organizational development were joined by a circle dedicated to mental health. There are many health tips on offer via the company intranet, plus employees have access to a health check-up, immunizations, free vision and hearing tests, a new blood pressure measurement station, and much more.

NOVOHEALTH

SICK LEAVE RATE 2017 – 2018



The sick leave rate is the percentage of employees that took at least one sick day.

By further focusing on the health of employees the overall sick leave rate was reduced.

NOVOMATIC's health and safety efforts were rewarded with the Seal of Quality in Corporate Health Promotion (BGF). This seal of quality was first awarded to NOVOMATIC in 2017.

In order to improve employee health and team spirit, NOVOMATIC also supported participation in a variety of sporting events in 2018. In addition to a tennis tournament, plenty of running events, and a ski and sledding afternoon, the seventh NOVOMATIC soccer tournament took place in Serbia in 2018. With a total of 17 teams and 800 participants from 12 countries, this event is a model for international understanding within the Group, which is active all around the world.

In 2018, Greentube began the 'make the most of your Summer' campaign in Austria, with the goal of supporting and improving employee fitness and health. Regular group fitness sessions and medical check-ups were offered and focus groups were introduced with employees who could suggest ways to improve the work environment.

ADMIRAL Casinos and Entertainment AG (ACE), ADMIRAL Sportwetten GmbH (ASW) as well as the Hotel and Tourismus Management GmbH (HTM) ran the ADMIRALFit-Program- which offers employees, among other things, running training with a professional coach. In 2018, the focus was on

the issue of ergonomics at work. The highlights were the first ADMIRALFit Day at the ACE headquarters in Wiener Neudorf and the ASW Headquarters in Gumpoldskirchen. On this day, employees could discover information on healthy diets at various booths, and test their balance.

Health management at the LÖWEN Group in Germany includes a team dedicated to issues designed to maintain and improve health. In addition to the existing service for employees in difficult situations, the second company-wide project carried out in cooperation with an external service provider started at the beginning of March 2018. It allowed LÖWEN Group employees to train with qualified trainers in a variety of fitness studios.

In October 2018, two health action days were offered at the administration of the German ADMIRAL ENTERTAINMENT in Pfullendorf. They focused on back health in the office. Employees could listen to lectures and receive private consultations with health experts.

In 2018, Spielbank Berlin introduced a monthly health day with various options for employees. The company sports club, focusing on sports as varied as soccer, beach volleyball, golf, bowling, and foosball, received financial support.

NOVOMATIC Italia, as part of the NOVOHealth program, ran its first blood donation drive at the Rome headquarters in 2018.

In order to maintain employee health and safety, Gamestec Leisure in Great Britain, for example, introduced the technical movement assistant device 'Domino' in 2018. The device helps employees to transport large, heavy, and unwieldy packages, particularly when going up or down stairs, or getting them into places that are not easily accessible.

NOVOMATIC in Romania introduced Fruit Mondays in 2018, which provides free fruit for all employees at the headquarters. Not only that, employee health was supported using a company gym, participation in soccer tournaments with the company team, and a vegetable garden for employees.

The Croatian subsidiary Interigre organized a team building event in September 2018 to maintain and support employee health and fitness. In addition to rafting on the Kupa river, activities such as tug-of-war and stone tossing led to a lively exchange between regions and specialist departments.

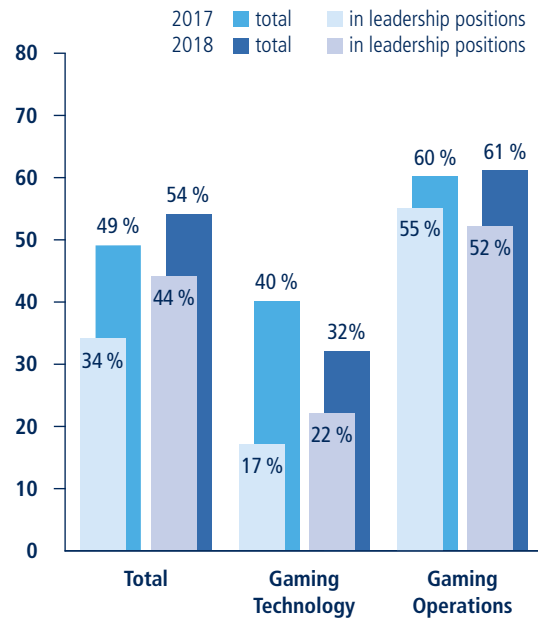
✓ GRI 403-6

Employee Diversity & Equality

Embracing diversity, integration, and equal opportunities is a basic principle of the NOVOMATIC corporate culture. Doing so also provides a decisive competitive edge for sustainable corporate success.

For years, the Code of Conduct has stated that discrimination towards employees or customers has no place within the company. Every company employee has access to the same working conditions and rights, independent of their gender, ethnicity, age, mental or physical ability, religion, political beliefs, or sexual orientation.

PROPORTION OF WOMEN 2017 – 2018



Leadership positions are jobs with leadership responsibilities. 2017 recorded for the first time.

The increase in the proportion of women overall, as well as the proportion of women in management positions is a result by adding more companies, especially in the field of gaming operations.

In October 2018, the first Austrian Diversity Days event took place in Vienna. The event was launched with a half-day convention focusing on Diversity & Leadership. As a cooperative event partner, NOVOMATIC presented its internal approach to diversity and inclusion.

The diversity report, which must be provided by NOVOMATIC to American authorities every quarter, was comprehensively expanded and supplemented in 2018.

Diversity key figures are measured regularly and also have a permanent place on the agenda during regular Group-wide meetings with HR- executive teams.

 GRI 405-1  SDG 5, 1, 8, 5


Equality

NOVOMATIC acknowledges its responsibility for creating fair working conditions, for example when hiring and selecting personnel, during career development, as part of the compatibility of family and career, and as part of generation management.

To ensure the company treats everyone equally, the Group Guideline on Equal Opportunities was issued in 2017. The goal of the guideline is to ensure that no-one is disadvantaged due to their sex, age, ethnicity, nationality, physical and mental abilities, or sexual orientation. During the onboarding process, and at the NOVOWelcome Days, which are attended primarily by new employees in Austria in the first few weeks after they start working for the company, the Equal Opportunities Guideline is always on the agenda.

The team responsible for implementation of the guideline is led by the Global HR Director. In the event that employees experience discrimination, or notice that a co-worker is subjected to discrimination, they are able to inform the company via an e-mail address set up specifically for that purpose. Quite apart from that, any violation of the law, of the Code of Conduct, or of human rights in general, can be reported at the whistleblowing email address.

 Equal Opportunities E-Mail:
equalopportunities@novomatic.com

 Whistleblowing E-Mail-Hotline:
compliance@novomatic.com

The blended learning training concept developed in 2018 and named "Fair play - mutual respect. Professional conduct in daily business" provides the executive team with training on recognizing and preventing discrimination and bullying. Two e-learning modules, plus follow-up training sessions on-site, were rolled out as a pilot project at the beginning of 2019 and were then implemented step-by-step within the Group.

The successful training series "acting in accordance with the law at work" was continued for executive staff in Austria. Equal Opportunities training, already in existence, was expanded further and now includes information on diversity and inclusion.

NOVOMATIC in Romania received the "Women in Gambling Award" in 2018 because 75 percent of their employees are women.

 SDG 5, 1, 8, 5

Employer of Young and Old

Diversity at NOVOMATIC is not limited to geographical and cultural diversity, but also includes cooperation across the generations. From 2016 onwards, NOVOMATIC AG in Austria has been the proud recipient of the NESTORGOLD seal of quality. This seal of quality is given to companies with a working environment suited to aging and intergenerational employees, and is awarded every two years by the Austrian Ministry for Social Affairs for a duration of three years. The company will apply for the certificate again in 2019.

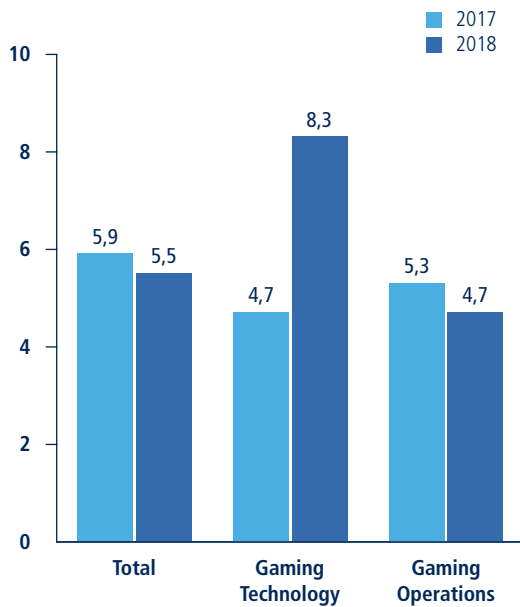
New trends were introduced in 2017 via the NOVOSilver Family initiative. The pensioners network is designed to maintain contact with retired employees via regular meet-ups and activities. Last year, for example, the pensioners visited the new ADMIRAL facility in Siegendorf in Austria.

The group is currently made up of over 120 retired employees. The initiative continues with the NOVOSilver Talent Pool, which was recently brought to life. The talent pool offers retired employees the option of working for the company in a reduced capacity. The goal is to ensure that their experience and knowledge remain available to the company and can efficiently take care of a temporary lack of specialists. Not only that, retired employees can contribute as consultants or specialists on special projects.



Presentation of the Women in Gambling Award for NOVOMATIC in Romania
Mioara Cocea (Head of Legal), Andreea Popa (Online Support Manager) and colleagues

TENURE IN YEARS 2017 – 2018



This is the average number of years working with the company per employee.

By adding more companies, the average tenure in the individual segments changed significantly.

Many company subsidiaries offer transition phases between full-time employment and retirement. In most cases, this is done by gradually reducing the number of working hours.



Dr. Monika Racek, CEO of ADMIRAL Casinos und Entertainment AG, Dr. Klaus Niedl, Global HR Director NOVOMATIC, and Christine Neiss, NOVOSilver Family coordinator, with participating pensioners.

Career and family

NOVOMATIC supports all its employees in Austria to maintain the balance between work and family. In 2018, for the third time, the company offered subsidized holiday care for children aged three to ten years old. The Ticket Junior Vouchers could be used across Austria in over 3.000 institutions. In these special holiday care institutions, children had access to many outdoor activities, from visits to the zoo to llama hiking tours. After NOVOMATIC received the basic certification berufund-familie (career and family) Audit in 2015, the flagship Austrian enterprise has now been awarded the full certificate by Federal Minister Juliane Bogner-Strauß.

Employees had access to special information offerings via the brochures “Parental leave and Parental Management” and “Nursing Management”.

NOVOMoms&Dads

April 2018 saw the start of the NOVOMoms&Dads program. This program includes a joint meet-up for employees on parental leave and their children. It takes place three times a year at the Gumpoldskirchen HQ. In 2018, the meet-ups focused on childhood emergencies. Participants chatted to colleagues and managers, and received the latest company information. There was also some great entertainment for the children.

NOVOHelp Hotline

Beginning in 2015, NOVOMATIC has offered employees in Austria external, anonymous, and free counseling for difficult situations. The goal is to offer support in challenging situations, whether private or professional, as quickly and simply as possible. This also serves to maintain the performance, productivity, and health of employees and managers.

Innovation

In addition to its high-quality products and services, a great deal of NOVOMATIC's success is based on employee innovation. As a top international gaming technology company, it is crucial that NOVOMATIC not only recognize trends early on but also triggers and drives new trends. The large majority of company innovation is produced within the research and development department. Around 4.450 intellectual property rights prove that the company is extremely innovative.

Digital Transformation

NOVOMATIC is committed to partnerships in the areas of technology and innovation. One such project, with multiple points of contact, is “Enterprise 4.0”. For this project, eleven leading Austrian industry companies work together with universities and colleges on specific digital transformation case studies. As part of this project, NOVOMATIC worked together with student teams from the Vienna University of Economics and Business and the St. Pölten University of Applied Science in 2017. In the same year, the second Enterprise 4.0 conference was hosted by NOVOMATIC at the Novomatic Forum. Innovative product technologies were introduced at the conference.



Digital Video-Business-Card of NOVOMATIC

In October 2018, NOVOMATIC invited Lower Austrian industry companies to take part in a Human Resources Working Group on the subject of "Employees of the Future". Together with the guests, NOVOMATIC discussed the challenges brought about by modern technology. Participants were also able to take a virtual reality tour through the digitalized HR world of NOVOMATIC and test the mobile touch tables and digital video business cards used in recruiting.

 Virtual tour:

www.novomatic.com/360Tour/NOVOMATIC-Headquarter/VR

Game Developer Training

In 2018, together with partners, NOVOMATIC developed the Corporate Coding Academy. This training program is aimed at future game developers and offers a high-quality and individual six-month program that trains people with an affinity for programming as Junior Game Developers. NOVOMATIC is treading new paths when selecting Corporate Coding Academy candidates. For example, a 'serious game' is used during the application process to discover the candidates' technical and analytical skills in a playful manner.

The European Brand Institute, in cooperation with NOVOMATIC, invited people to attend the 6th Women Leadership Forum in 2018. Under the motto "FRAU.MACHT. INNOVATION" (Woman creates innovation), Austrian and international decision-makers, all women, provided insights into the challenges of being a woman in management in a time of digitalization, disruption, and artificial intelligence. Dr. Monika Racek, CEO of ADMIRAL Casinos & Entertainment AG, took part in a panel with the subject "Future Female Leaders" and discussed how women can achieve top positions within large companies.

Promoting Innovation

The NOVOMATIC subsidiary NOVOMATIC Lottery Solutions (NLS) is motivating its employees to be innovative. The program Heavy Mental - Passion for Innovation took place for the ninth time last year. The program allows all employees located in Iceland, Serbia, Spain, and Austria to introduce new ideas for products and services. Teams made up of members from various departments worked together over 24 hours to come up with a new idea. The results and ideas influence product development and improve internal processes. The event is also a great way to network and get to know new employees.



Logo of Heavy Mental Program of NLS

GOING GREEN



Here is an overview of the principles of action, goals, highlights of the year and planned measures in relation to the strategic fields of action.



OUR COMMITMENT ON RESPONSIBILITY

- “We minimize our environmental footprint through efficient handling of energy and resources, as well as by reducing the waste and emissions that we produce.”
- “We strive to make positive contributions to environmental protection using both production and operational measures.”

GOALS	HIGHLIGHTS FROM 2018	PLANNED FOR 2019
ENERGY & EMISSIONS		
Reduction of energy consumption and emissions	<ul style="list-style-type: none">• Expansion of those core companies for which key figures are recorded• Recertification in accordance with the environmental standard ISO 14001 by NOVOMATIC AG and NOVOMATIC Italia• Changing the lighting to LED technology and switching to renewable energy	<ul style="list-style-type: none">• Expand e-mobility within the Group• Improve sharing of goodpractice information on energy and CO₂ reduction.
RESOURCE CONSUMPTION, REUSABILITY & WASTE		
<ul style="list-style-type: none">• Reduction of resource consumption, as well as waste and waste water• Highest possible degree of recyclability and lifespan of products	<ul style="list-style-type: none">• Expansion of those core companies for which key figures are recorded• Labeling plastic products with recycling codes at the Gumpoldskirchen location	<p>Increase sharing of goodpractice examples for reducing waste</p>

The way a company handles energy, CO₂ emissions, waste, and water consumption has a major effect on the environment. The main priority is to keep consumption of all resources as low as possible in both manufacture and gaming facility operations.

The figures and graphics presented in this chapter apply, if no indication is given otherwise, for all major companies (core companies) belonging to the NOVOMATIC AG Group.

Summary of Key Performance Indicators

	2017	2018	Goal
Energy consumption in MWh total^{1*}	249,467	286,696	Reduction
Of which NOVOMATIC AG ^{**}	23,420	21,093	
NOVOMATIC AG Group projection ^{***}	357,510	401,592	
CO₂ emissions in tons total²	77,609	82,377	Reduction
Of which NOVOMATIC AG	4,079	3,927	
NOVOMATIC AG Group projection	111,221	115,390	
Scope 1 CO₂ emissions in tons total³	23,233	22,780	Reduction
Of which NOVOMATIC AG	3,144	2,614	
NOVOMATIC AG Group projection	33,295	31,905	
Scope 2 CO₂ emissions in tons total⁴	51,798	57,644	Reduction
Of which NOVOMATIC AG	0	0	
NOVOMATIC AG Group projection	74,232	80,736	
Water consumption in m³ total⁵	166,869	179,662	Reduction
Of which NOVOMATIC AG	19,015	22,362	
NOVOMATIC AG Group projection	428,688	459,997	
Waste in tons total⁶	3,728	3,585	Reduction
Of which NOVOMATIC AG	1,236	1,267	
NOVOMATIC AG Group projection	4,851	4,677	

*Total values represent the directly recorded values of the core companies of the extended scope 2018.

**NOVOMATIC AG only presents those directly recorded data without subsidiaries.

***NOVOMATIC AG Group provides the sum of the directly recorded data and extrapolation for the remaining companies in the scope of consolidation (including discontinued companies).

¹ The energy consumption includes electricity, natural gas, fuel for transport such as diesel and petrol, heating oil, and self-generated energy (solar panels).

² CO₂ emissions are compiled from CO₂ equivalents in direct emissions caused by use of fuel and indirect emissions caused by energy consumption and air travel.

³ The direct scope 1 CO₂ emissions include those caused by the combustion of transport fuels diesel and petrol, as well as natural gas emissions.

⁴ The indirect scope 2 CO₂ emissions include those caused by the generation of electricity and district heating by the energy supplier.

⁵ Water consumption is measured from water used for manufacture, cleaning, sanitary facilities, or irrigation.

⁶ Waste consists of non-hazardous and hazardous waste. This value is only recorded for the Gaming Technology companies.

The changes in the data for the previous year are explained in this chapter in the relevant topic section.


NOVOMATIC is one of the world's largest gaming technology producers. Each year NOVOMATIC produces more than 60,000 gaming terminals. At the Austrian production location in Gumpoldskirchen, almost all relevant manufacturing steps are carried out in-house. An internal joinery, a printing shop, a metal working shop, plastics manufacture, circuit board assembly, as well as internal assembly and shipping logistics, allow for vertical integration of more than 90 percent, unique within the industry.

During manufacture, NOVOMATIC makes use of a variety of resources from raw materials and primary products to electrical parts and technological components. Logistics is run in part using company-owned trucks and NOVOMATIC's service technicians make use of company-owned cars. The company uses resources such as electricity, water, heat, and vehicle fuel to run production and logistics. The majority of environmentally unfriendly materials are generated as waste and waste water from manufacture as well as greenhouse gas emissions from energy creation and burning fuels.

 Information on media technology solutions:
www.novomatic-mt.com

In addition to the production of high-tech gaming equipment, NOVOMATIC operates casinos, electronic casinos, and sports betting facilities. The company also offers comprehensive solutions in the areas of lottery and sports betting, as well as online, mobile, and social gaming. Globally, the NOVOMATIC Group runs around 2,100 gaming facilities, including casinos in Spain, Northern Macedonia, Croatia, and Spielbank Berlin, the highest-revenue casino in Germany. In terms of gaming operations, the largest environmental effect comes from electricity consumption used to run gaming and betting terminals, lighting, heating, and air conditioning. Water use is relatively low for gaming operations, however, the vehicles used by service technicians cause appreciable emissions due to fuel use.

 Information on lottery system solutions:
www.novomaticls.com

 Information on interactive gaming products:
www.greentube.com

 Information on sports betting solutions:
www.novomatic-sbs.com

NOVOMATIC acknowledges its ecological footprint and assumes responsibility for using resources efficiently and sparingly. Implementation of environmental management and measures for reducing the ecological footprint are carried out in every subsidiary based on local requirements. The Group companies which manufacture products have their own environmental protection officers who monitor all required operational environmental protection measures. Several companies are certified in accordance with the environmental management norm ISO 14001. As part of this certification, and as part of the requirements from the European Energy Efficiency Directive, concrete goals are set and implementation is checked by external authorities. In the subsidiaries responsible for gaming operations, environmental management is sometimes carried out by property management. This is because most buildings containing gaming operations are not owned by NOVOMATIC or its subsidiaries.


Level of Certification in Accordance with Environmental Management Norm ISO 14001 in 2018

Gaming Technology	Gaming Operations	Goal
26 %	49 %	Increase

The certification was granted in 2018 or earlier.

In order to record the extent of the ecological footprint and the measures implemented against it, NOVOMATIC also records environmental key figures in its CR Indicator system. These were recorded for the first time by the core companies in 2017 using a new online data tool. Good practice examples on new and successful environmental measures are shared between the companies. In the future, the plan is to specify qualitative goals and move towards quantitative goals.

Group CR Risk Management also includes environmental risks. These risks encompass, for example, risk of fire damage, violation of statutory environmental regulations, as well as environmental damage caused, for example, by emissions, pollution, and waste. Measures in these areas are designed to minimize these risks as much as possible. Compliance with both legal requirements and self-imposed operational principles and guidelines is monitored using internal and external audits.

The following sections describe the management approach and the highlights of the company's activities over the last year. These are just a few examples of the numerous measures taken across the entire NOVOMATIC Group.  GRI 103-2

Energy & Emissions

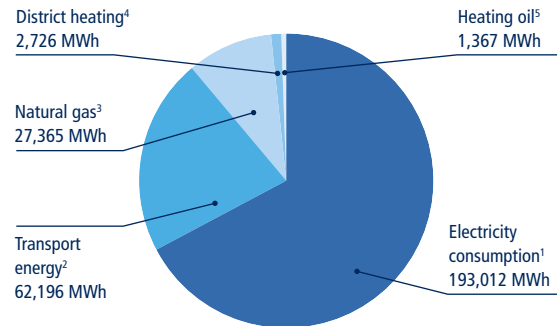
Reduction of energy consumption and the associated CO₂ emissions is increasingly important in light of climate change. The gaming industry is not subject to the same challenges as more energy-intensive industries but there is still a great deal of energy consumed by the manufacturing and in particular by gaming operations. NOVOMATIC is determined to continue to reduce this CO₂ footprint in the future.

Energy consumption

During the production of gaming devices, energy is required in the form of electricity for running machines, lighting, heating, air conditioning, and use of district heating. The majority of NOVOMATIC's electricity consumption, however, comes from gaming facilities which run gaming and betting terminals, as well as other electronic devices. A smaller amount of energy is used for lighting, heating, and air conditioning of the space.

NOVOMATIC does not just use electricity and heat for business, fuel is also used in the form of petrol and diesel for the vehicle fleet. Some subsidiaries have a vehicle fleet consisting of several hundred vehicles required for technical maintenance work. The core companies used 62,196 MWh energy in vehicle fleet fuel, 27,365 MWh in natural gas, and a very low amount of energy in heating oil in 2018. The large majority was consumed last year as part of operations, for example by running gaming devices, lighting, heating, and air conditioning. The goal is to continue to reduce total and relative energy consumption in the future.

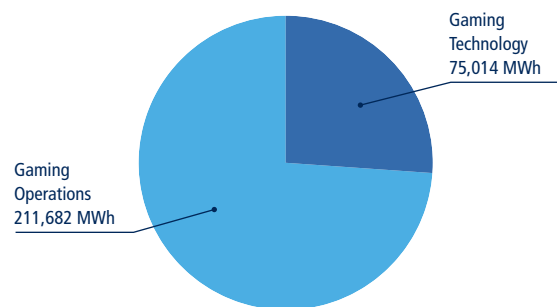
TOTAL ENERGY CONSUMPTION BY TYPE OF ENERGY 2018



- ¹ Electricity consumption is the electricity taken directly from the energy service provider.
- ² Transport energy consists of diesel and petrol consumption by the company's vehicle fleets.
- ³ Natural gas is the natural gas taken directly from the energy service provider and used, for example, for heating, air conditioning, or lighting.
- ⁴ District heating is the heat taken directly from the energy service provider.
- ⁵ Heating oil is the fuel used for energy creation.

The figure includes the direct data of all core companies of the extended scope 2018. Not shown is self-generated and sold energy. Changes to the previous year are largely due to expansion of the scope of the core companies, differences in utilization of production and gambling halls, as well as the unusual hot summer and cold winter in parts of Europe.

ENERGY CONSUMPTION IN COMPARISON 2018



The total energy consumption represented includes electricity, diesel and petrol, natural gas, heating oil, and district heating. The figure includes the direct data of all core companies of the extended scope 2018. Changes from the previous year correspond to the reasons of the total energy consumption.

In 2018, the NOVOMATIC AG Gumpoldskirchen location was able to renew its certification in accordance with the environmental norm ISO 14001. One example of environmentally-friendly measures was the step-by-step replacement of fluorescent and halogen lamps with LED-lighting at the Gumpoldskirchen location, which led to an 80 percent reduction in lighting energy consumption

Numerous subsidiaries also focused on replacing their lighting in 2018. Last year, LÖWEN Entertainment replaced the parking lot lighting at the Rellingen location with energy-saving LED technology. This represents savings of several thousand euros per year. Similarly, NOVOMATIC UK replaced the lighting in numerous warehouses and other buildings with LED technology.

Not only that, all newly branded ADMIRAL Casinos in the Netherlands are equipped with LED lighting. As a result, the lights will last much longer and there will be fewer CO₂ emissions. Halogen lights at the Romanian headquarters and casinos were partially replaced by LED lamps. In Croatia, all casinos, 90 percent of the arcades, and 50 percent of the sports betting facilities were equipped with LED lighting by the end of 2018.

Also, in 2018, the Spielbank Berlin switched to using renewable energy only. Renovations, including comprehensive energy-saving improvements, are planned for the Spielbank in 2019.

NOVOMATIC Italia reapplied for and received ISO 14001-certification. One example of methods used to reduce energy consumption involved coating the windows at the Rimini headquarters so that less sun could enter the building, meaning less energy is required for air conditioning. The large vehicle fleet is being gradually replaced with energy efficient vehicles, and in the future, there are plans to expand electric mobility.

NOVOMATIC Spain switched completely to renewable energy for its headquarters in Madrid in 2018 and the hot water is powered by solar energy. In the ADMIRAL Casino in San Roque, two charging stations for e-vehicles were installed. One model project is the installation of a modern solar panel system covering 1,770 m² and creating a parking lot roof at the Gran Casino Aljarafe in Seville. In addition to providing shade for casino visitors the panels collect 400 MWh per year, thus saving approximately 10 percent of the casino's total energy output.

The British subsidiary Luxury Leisure purchased new plug-in hybrid vehicles for its vehicle fleet. In the future, there is a plan to install electric charging stations at the headquarters.



Solar panel system at the Gran Casino Aljarafe in Seville



Major prize BMW i3 at the ADMIRAL Club in Romania

ADMIRAL Club customers in Romania were able to win a BMW i3 as the major prize in 2018. The casino thus supported environmentally friendly mobility with a targeted advertising campaign.

Many NOVOMATIC AG Group subsidiaries are planning to purchase e-vehicles and expand solar energy systems at production locations and casinos in the coming year.

SDG 7,2, 7,3, 8,4

Emissions

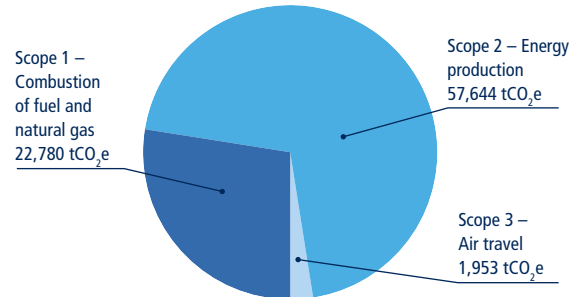
NOVOMATIC is responsible for directly-produced CO₂ emissions caused by fuel consumption (Scope 1 Emissions). Consumption of electricity and district heating is responsible for indirect CO₂ emissions from energy providers (Scope 2 Emissions). A small portion of the emissions is caused by air travel required for business (Scope 3 Emissions).

In 2018, the total CO₂ footprint came to 82,377 tons of CO₂ equivalent. The majority of this amount was caused by indirect emissions from energy consumption for operating gaming devices, lighting, heating and air conditioning in the gaming facilities, and also from the vehicle fleet required for gaming device maintenance.

The goal is to continue to reduce total and relative CO₂ emissions in the future.

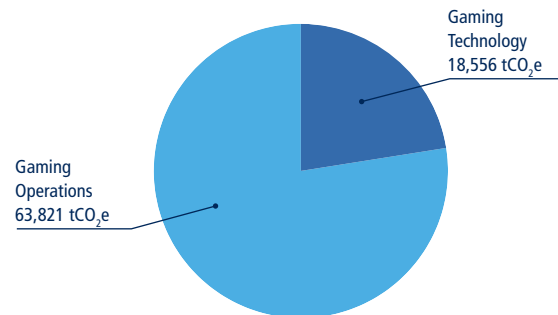
The following graphic shows the comparison between the company's CO₂ emissions at production locations and in gaming facilities.

CO₂ EMISSIONS PER SOURCE 2018



tCO₂e: Equivalent CO₂ unit emissions in tons
The figure includes the direct data of all core companies of the extended scope 2018. Changes from the previous year correspond to the reasons of the Total energy consumption.

CO₂ EMISSIONS IN COMPARISON 2018



tCO₂e: Equivalent CO₂ unit emissions in tons
The figure includes the direct data of all core companies of the extended scope 2018. Changes from the previous year correspond to the reasons of the Total energy consumption.

GRI 302-1, 305-1, 305-2, 305-3

SDG 7,2, 7,3, 8,4, 13,1, 13,9

Resource conservation

In terms of NOVOMATIC business activities, it is the production of gaming technology, in particular, that consumes various resources. This includes plastics, metals, electronic components, screens, cables, paints and varnish, up to and including timber products, and various primary products. Due to high levels of vertical integration and the use of numerous different commodities, materials, and primary products in production, the conservation of resources is more than just


about complying with local environmental laws but is a significant cost factor across all measures.

Resource management is strictly regulated in all production locations and adjusted to match local requirements and conditions.

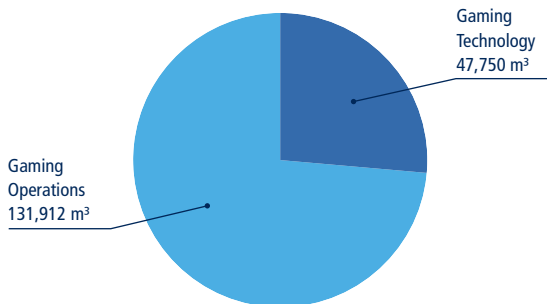
Water

Water is used in all locations for cleaning and sanitary applications. Last year, water consumption was recorded in all core companies. The total water consumption for use in production and cleaning, as well as for irrigation, sanitary facilities and other uses was 179,662 m³ in 2018.

The results show that, just like the previous year, the large majority of the water was used during gaming operations.

The goal is to continue to reduce total and relative water consumption in the future.  GRI 303-3

WATER CONSUMPTION IN COMPARISON 2018



The figure includes the direct data of all core companies of the extended scope 2018. ADMIRAL Spielhallen Gesellschaften, Admiral Gaming Network S.r.l., Admiral Interactive S.r.l., Gamestec Leisure Ltd., Luxury Leisure Ultd., RAL Ltd., Playnation Ltd., Admiral Casinos S.A., all Romanian companies, all Serbian companies and Makoten DOOEL are not included due to lack of data. Changes to the previous year are mainly due to the expansion of the scope of the core companies, as well as significant differences in the capacity utilization of the arcades.

Waste

Production, in particular, produces hazardous and non-hazardous waste. The waste amounts, recorded for the first time in 2017, showed that only six percent of waste is caused by Gaming Operations. For this reason, starting in 2018, only waste from technology companies has been recorded. The total amount of waste in 2018 was 3,585 tons. The results make it clear that the majority of waste produced is non-ha-

zardous. This includes, for example, cardboard, metal, plastic, wood, glass, etc. The smaller amount is taken up by hazardous waste such as electronic waste, varnish, paint, and other hazardous materials.

The goal is to continue to reduce total and relative waste volume in the future.

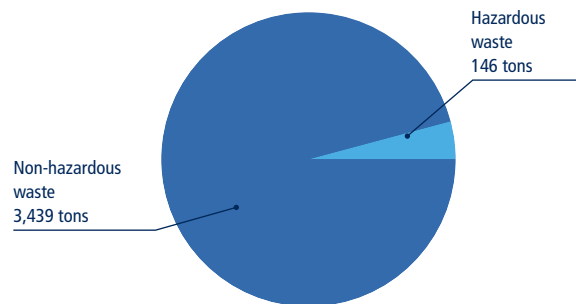
Waste that cannot be avoided is separated into various categories, collected, and recycled. In addition to environmental protection, reduction of waste results in fewer costs for waste removal.

Numerous subsidiaries improved single-origin waste sorting in order to reduce total volumes and removal costs.

In the plastics production department, NOVOMATIC AG introduced plastic product labeling with recycling codes in accordance with Society of Plastics Industry guidelines. This supports sorting and recycling when disposing of gaming devices at the end of product service life.

NOVOMATIC Italia focused on reducing plastic waste. At the headquarters in Rome, the company switched from providing free plastic water bottles and installed water dispensers instead.

WASTE IN COMPARISON 2018




The figure shows only the direct data of producing technology core companies. Admiral Gaming Network S.r.l., Novomatic Services Spain S.L.U. and Admiral Slots S.A. are not included due to lack of data. Non-hazardous waste includes for example: aluminum, glass, paper, cardboard, residual waste, plastic, metal, wood etc. Hazardous waste includes for example: electronic waste, varnish, paint, oils etc. Changes compared to the previous year are mainly due to expansion the scope of the core companies, as well as changes the legal requirements in Germany and Italy. This led to necessary refurbishment of gambling machines and corresponding waste accumulation.

 GRI 306-2,  SDG 12,5

Reusability

NOVOMATIC does not create single-use products. In the event of technical improvements, or when required by new statutory regulations, some of NOVOMATIC's machines are updated to meet the latest technical standards. This is known as refurbishment. After an in-depth technical inspection, various components, from monitors to circuit boards, can be switched out in working machines. Even without a specific customer request, functioning components from old machines are removed and refurbished. This means that refurbished components are available at all times. Furthermore, depending on customer requirements, entire used devices can be repaired. Due to requirements that change from year to year based on customer requests and country-specific regulations it is not possible to determine a set refurbishment rate. If it is reasonable and the customer requests it, NOVOMATIC aims for a very high refurbishment rate of its products.

Last year, 10,000 gaming devices were refurbished at the NOVOMATIC AG production location in Gumpoldskirchen. As such, recyclability compared to the total production numbers was 37 percent for the year. This includes the exchange of a total of 4,000 bill validators, 5,000 monitors, and 5,000 ticket printers. LÖWEN Entertainment in Germany had a refurbishment rate of five percent. NOVOMATIC Italia has a very high refurbishment rate of 88 percent. This unusual high rate is due to a high number of necessary refurbishments due to new legal requirements. The Bell-Fruit Group in the UK refurbished 46 percent of its gaming devices. The Spanish GiGames had a rate of almost four percent of the total production over the last year. The refurbishment rate at NOVOMATIC Netherlands was similar, at five percent.

All other devices that cannot be used for refurbishment were properly disposed of as waste by either NOVOMATIC or the customer.  GRI 301-3

ACTIVE IN THE COMMUNITY



Here is an overview of the principles of action, goals, highlights of the year and planned measures in relation to the strategic fields of action.



OUR COMMITMENT ON RESPONSIBILITY

- “We contribute to society with sponsoring activities, donations, and volunteer activities.”
- “We are active and responsible citizens and invest in our local communities.”

GOALS

HIGHLIGHTS FROM 2018

PLANNED FOR 2019

SPONSORING ACTIVITIES & PARTNERSHIPS

Long-term partnerships in:

- **Sports & Competition**
- **Art & culture**
- **Prevention and player protection**
- **Strengthening the Economy**

- NOVOMATIC and subsidiaries participate in the EASG Player Protection Conference
- Vienna Economic Forum award as the Cooperation Partner of the Year
- Awarded the label Business Superbrand 2018
- Calculation of economic footprint in Austria

Systematic continuation of the sponsoring activity strategy

DONATIONS & VOLUNTEER WORK

Support for charitable and effective initiatives focusing on:

- **Urgent help**
- **Helping people to help themselves**
- **Regionality**

- First week-long Corporate Volunteering Week, the volunteer initiative from the NOVOTeam in Austria.
- Continuation of the initiative ‘LÖWEN apprentices help’ in Germany
- Multiple donations within the Group to charitable causes

- Rigorous implementation of donation focus
- Expansion of the Corporate Volunteering approach

NOVOMATIC is an active participant in society and takes on social responsibility. Together, we want to provide a valuable contribution to society via sponsoring activities, donations, and volunteer activities.



Mr. Stefan Krenn, LL.M.
General Secretary of NOVOMATIC AG

"We support specifically selected initiatives in sport, culture and science, as well as regional economic activities. Last year, we focused on existing partnerships in order to strengthen them further. We do all this to provide a long-term positive contribution to society."

NOVOMATIC takes social responsibility seriously, which is why we participate in sponsoring activities, provide donations, and support volunteer work. In order to better portray the relationship between success and sustainable corporate values, in 2017 the company defined the areas to actively support through sponsoring activities and donations. This new focus came about after feedback from the stakeholder dialog as well as an internal evaluation of existing sponsoring and donation projects.

The new focus, as well as the criteria defined for sponsoring activities and donations, provides a clear framework for making decisions and taking action. As such, external stakeholders know exactly which initiatives, donation requests, or ideas for volunteer work are worthy of support. The activities are coordinated by Group Marketing and Group Corporate Responsibility & Sustainability.

The following sections describe the management approach and the highlights of the company's activities over the last year. These are just a few examples of the numerous measures that were taken.

Sponsoring activities & partnerships

Sponsoring activities are an important method of creating valuable partnerships with initiatives and partners that deserve support, and therefore of living up to our social responsibility. NOVOMATIC strives to support long-term partnerships and transparent implementation. These are the most important sponsoring activity criteria. After all, this is the only way to ensure a sustainable, positive effect.

"Sponsoring activities relate to the planning, implementation, and monitoring of all activities connected to the provision of funds, equipment, services, or expertise by companies and institutions to support individuals and/or organizations in the areas of sport, culture, social issues, environment, and/or media in accordance with contractual regulations for services provided by the sponsor and those provided by the sponsored party in order to achieve combined marketing and corporate communication goals."


 Gabler Wirtschaftslexikon:
www.wirtschaftslexikon.gabler.de

Sponsoring focus

- Sports & Competition
- Art & Culture
- Prevention and player protection
- Strengthening the Economy

Criteria for selecting whom to sponsor

- International and regional connection
- Promotion of education and talent
- Long-term cooperation in place of short-term activism

As NOVOMATIC receives many requests, the company adheres strictly to these main focal areas. Every request is checked to see if it meets the criteria and an answer is provided as quickly as possible.  GRI 103-2

Herinafter is a list of some examples of the company's sponsoring activities.

Sport & Competition

Competition, and dealing with risks, play a special role in the gaming industry. NOVOMATIC's company history proves how important it is to be consistent, persistent, and goal-oriented if you want to achieve sustainable success. Sporting companies, initiatives, and partnerships supported by NOVOMATIC have to live up to these three ideals. This is why the company has partnered with Austrian sports federations and clubs, both in competitive and recreational sport.

One special partnership, with a long tradition, is that between NOVOMATIC and the Deutschen Sporthilfe (German Sports Aid). In 2018, NOVOMATIC once again supported the 49th Prom of Sports, which took place in Wiesbaden in Germany. Each year, around 1,400 invited guests from the world of sports, economics, politics, culture, and media meet at this event.

 Prom of Sports: www.sporthilfe.de/events/ball-des-sports/

Team spirit, enthusiasm, willingness to contribute, fairness, and determination to succeed are values that NOVOMATIC has encouraged via the long years of support for the German Sports Aid Foundation. For example, the company made it possible to give bonuses to successful athletes at the Paralympics in Pyeongchang. The money awarded was equal to that of medal winners at the Olympic games.

One yearly highlight is support for the International Stadium Festival (ISTAF) in Berlin, the oldest and most watched track and field event in the world. The Spielbank Berlin supported the event once again in 2018, with a considerable sponsorship. On the September 2, 2018, around 45,500 track and field fans gathered in Berlin's Olympic Stadium for the 77th ISTAF. They watched top sporting performances by athletes from around the world. Not only that but the Group also cooperated with the ISTAF-Indoor sporting event. In 2019, one plan among many is financing expert support for gaming addiction issues in the e-soccer segment of the Berlin Football Association.

 International Stadium Festival Berlin (ISTAF): www.istaf.de

NOVOMATIC has many sporting partnerships. Some examples include the Vienna Night Run, the Around the World in a Day Run, the Fontana Run, the Erste Bank Open Tennis Tournament, and a partnership with the Austrian handcycling athlete Wolfgang Schattauer. To promote company health, the Group pays the participation fee for employees to take part in sporting events such as the Wings for Life World Run, the Austrian Women's Run, the Vienna City Marathon, and other regional running events.

The subsidiary ADMIRAL Sportwetten GmbH (ASW) supports more than 200 Austrian sporting clubs for soccer, basketball, ice hockey, and handball. ASW is a league sponsor of the ADMIRAL National Basketball League, as well as a partner of the ÖFB (Austrian Football Association) Uniqa Cup, the ÖFB national women's team, the national handball team, the Austrian Handball League, and the Austrian American Football Association.

LÖWEN Entertainment GmbH (LÖWEN Entertainment), has been the main sponsor of the Rhein-Neckar Löwen, the two-time German handball champions, since 2016.

NOVOMATIC Italia sponsored the Rimini Marathon once again in 2018. With 10,000 participants, including wheelchair users, it is the largest running event in the city.

In addition to a focus on sport, NOVOMATIC Spain once again used participation in the yearly company run "Carrera de las Empresas" in Madrid to strengthen team spirit amongst employees. The Spanish subsidiary also signed a sponsorship deal in 2018 to support 18 Spanish Olympic Games candidates who hope to go to Tokyo in 2020.



Mr. Stefan Krenn, General Secretary NOVOMATIC AG, at the Lower Austrian Cultural Prize awards ceremony in 2018

Art & Culture

When supporting art and culture, the focus is on support for activities that strengthen regional anchoring and international networking. The company has a special partnership with the Weltmuseum in Vienna. NOVOMATIC and the Weltmuseum really unify internationality and diversity, which is why the museum and NOVOMATIC entered into a long-term partnership in 2017. Not only that, NOVOMATIC will be the "Museomanie" hall gallery partner for 15 years.

i Weltmuseum: www.weltmuseumwien.at/en/

The company also supports many projects at a regional level. One long-term cultural partnership, the Lower Austrian Cultural Prize, goes back to 2009. As part of a celebratory Gala, 25 prize winners were honored in eight categories last year.

i Lower Austrian Cultural Prize: www.noel.gv.at/noe/Kunst-Kultur/Kulturpreise.html

Additional long-term partnerships have been created by sponsoring the Ballet Academy at the Vienna State Opera, as well as a reading partnership with the Initiative "Eine Stadt. Ein Buch" (One city. One book) in Vienna. A particular highlight is a ten-year cooperation with the Vienna State Opera for youth development within the framework of a scholarship program. The program has provided support for many opera greats right at the beginning of their career and given them a chance to perform on one of the most internationally well-known and defining stages. Other cooperations in the area of arts and culture include regional culture initiatives such as with the Lower Austrian Tonkünstler orchestra, the Haydn Region in Lower Austria, the Bühne Baden Theater, the Tschauner Bühne theater in Vienna, the Werner Berg Museum in Carinthia, the Roman City of Carnuntum, the St. Pölten European Ballet, the Purkersdorfer Open Air Summer, the Lower Austrian Street Art Festival in Wiener Neustadt, the Wachau European Forum, the RIZ Genius Business Founder's Prize, and the Association for Promoting Journalism in Lower Austria.

Last year, for the first time, NOVOMATIC supported the festival "La Gacilly-Baden Photo" in Baden bei Wien. In this exhibit, 35 pictorial narratives told in 2.000 photographs on canvases that can be up to 300m² transform the gardens, alleys, and squares of Baden into a 'city of images' open to everyone.

Prevention & Player Protection

Player protection is not just important on-site at gaming facilities, it also takes on central importance in connection with sustainable funding. NOVOMATIC AG uses long-term partnerships to support initiatives that deliver important scientific information and help to improve treatment options. This is made possible, for example, by working together with addiction prevention and research institutes. In these cases, the company supports the treatment of those displaying addictive behavior as well as the development of effective addiction prevention measures.

NOVOMATIC is actively engaged in the international discussion regarding player protection and gaming addiction prevention. This happens largely through partnerships with research institutes as well as addiction prevention and treatment facilities. One example is the long-standing cooperation of the NOVOMATIC subsidiary ADMIRAL Casinos & Entertainment AG (ACE) with the Anton Proksch Institut, one of the most well-known European therapy centers for treating addiction.


The two work closely together each year to present a multi-day training session on gaming addiction prevention for employees from ACE, ASW, NOVOMATIC, Greentube, and Funstage. This intensive training covers a variety of modules, from recognizing problematic behavior to leading informative conversations with customers. The topics of guest communication, "Train the Trainer", gaming addiction prevention, data protection, and legal basics are taught at the institute. Participation ensures that new facility managers, customer service team employees, and management staff have access to the latest knowledge and tools for gaming addiction prevention.

 Anton Proksch Institut (API): www.api.or.at

Another example is the partnership with the Medical University of Vienna, in place since 2006. This partnership supports research projects on addiction and addiction therapy. The cooperation was extended for another two years in 2018.

Other measures in this area include active company participation in industry events and exchanges on improving player protection measures. NOVOMATIC is a member of the European Association for the Study of Gambling (EASG). The conference held by the EASG, the European Conference on Gambling Studies and Policy Issues, has been supported by NOVOMATIC for years. It is the largest conference focusing on player protection in the world and took place once more in

2018, attended by several representatives from NOVOMATIC AG and its subsidiaries.

 European Association for the Study of Gambling (EASG): www.easg.org

Strengthening the Economy

As an internationally active company and a flagship Austrian enterprise, NOVOMATIC is committed to an open exchange with industry and the economy, which is why the company has long supported the Vienna Economic Forum (VEF). The VEF strengthens economic cooperation, in particular in central, south, and south-eastern Europe. It creates a strong network for economics and politics. At the 15th VEF in Vienna, which took place in November 2018, Prime Ministers from the Western Balkan states met with economic and political decision-makers from a variety of regions. Mr. Harald Neumann, CEO NOVOMATIC AG, Vice President of the VEF and, as of 2018, Honorary Consul for Lower Austria in Romania, made a speech on creating a bridge between Austria and Romania in the year of the Austrian EU Council Presidency. He also accepted the VEF award for NOVOMATIC as a cooperative partner for 2018.

 Vienna Economic Forum: www.vienna-economic-forum.com



Mr. Thomas Arnoldner, CEO A1 Telekom Austria Group, Mr. Harald Neumann, VEF Executive Board Member and CEO NOVOMATIC AG, Dr. Günther Rabensteiner, President of the Vienna Economic Forum, Dr. Margarete Schramböck, Federal Minister for Digitalization and Business Location Austria, Mr. Peter Umundum, Executive Board Österreichische Post AG, and Dr. Kari Kapsch, President of the Austrian Association for Electrical Engineering, at the Vienna Economic Forum 2018.

Mr. Harald Neumann opened the EU Brand Talk at the Novomatic Forum in Vienna at the end of 2018 with the keynote: "This country needs strong brands". The Brand Talk was held to commemorate the occasion of the Austrian Presidency of the European Union Council.

At the end of the year, NOVOMATIC received the label Business Superbrand 2018 from the "Superbrands Austria Brand Council". This award confirms the consistent position of the NOVOMATIC brand in more than 70 countries.

In addition, NOVOMATIC AG, ACE, and ASW are considered important driving forces in the Austrian economy. Experts at the *Economica Institut für Wirtschaftsforschung* (Economica Institute for Economic Research) investigated the substantial economic effects of these companies on a national and regional level and confirmed that NOVOMATIC and its subsidiaries contribute significantly to the economy, employment market, and taxes in Austria. For example, every job at NOVOMATIC is connected to two additional jobs outside the Group.

Economic footprint of NOVOMATIC AG in Austria:

- EUR 2.5 billion gross production value (incl. suppliers, goods, and services)
- Every 208th euro earned in Austria can be (directly or indirectly) ascribed to NOVOMATIC
- EUR 440 million total tax revenue
- Guarantee of 3,632 direct and around 7,000 indirect (supply chain) jobs
- 90 percent vertical integration (share of in-house manufacture in the total value-added chain)

 GRI 201-1  SDG 8,1

Donations & Volunteer Work

NOVOMATIC also supports charitable organizations as part of its social commitment. The company always ensures that all donations and grants are used as intended and that the funds it donates have the greatest possible impact.

"Donations are voluntary contributions provided without any services in return, but usually made with a specific purpose in mind. The person or company donating has no economic expectations vis-à-vis the person or charity receiving the donation. There is no exchange of services between the person or company donating and the recipient of the donation."


 Gabler Wirtschaftslexikon: www.wirtschaftslexikon.gabler.de

Donation focus:

- Urgent help
- Helping people to help themselves
- Regionality

Criteria for selecting where to donate:

- Certification with a donation seal of quality
- Transparency concerning the use of funds
- Long-term nature and scope of the effect

NOVOMATIC receives many requests for donations. Because it is not possible to meet every request, there are clearly defined focal points and criteria for selecting those projects worthy of support. Every request is considered and answered in a timely manner.  GRI 103-2

Hereinafter is a list of some examples of the company's donation activities.

Donations

NOVOMATIC and its subsidiaries make numerous donations each year. The donations largely go towards local organizations or current issues. Each year, NOVOMATIC provides significant support for the Austrian initiative "Licht ins Dunkel". This is one of the most well-known Austrian fundraising campaigns, which provides quick and unbureaucratic help for families in need. Other donations were made last year to the Austrian disaster relief organization "Hilfe im eigenen Land", the CliniClowns, Hilfe zur Selbsthilfe (Helping People to Help Themselves), and the Make-A-Wish Foundation. Regionally, in 2018, NOVOMATIC supported a variety of cultural events in Gumpoldskirchen, the Lower Austrian Red Cross, and the Gumpoldskirchen Scouts. A particular highlight was the donation made to the volunteer fire department in Gumpoldskirchen for purchasing a new fire engine.

Employees at NOVOMATIC AG, together with the subsidiaries ACE and ASW, packed various presents in boxes last year and handed them to the initiative *Weihnachten im Schuhkarton* (Christmas in a shoe box). This provided around 180 boxes with presents for children in need. The employees at NAG and ACE also collected mobile phones no longer in use for the *Ö3 Wundertüte* (Ö3 grab bag).

As part of the ADMIRALfit program at ACE, employees cycled, swam, walked, or ran a total of more than 10.000 km, which was transformed into donations and presented to the *Licht ins Dunkel* (Light in the Dark) Initiative. These donations were matched by ACE.

A highlight at the Spielbank Berlin was donations for the planned "Pears Jewish Campus" in the city. This is an ecumenical educational institute for children of all ages.

For the second time, the LÖWEN Group in Germany carried out the social project "Die LÖWEN-Gruppe erfüllt Kinderwünsche" (LÖWEN Group grants wishes for children). This project is organized by apprentices, making it particularly special. This year, donations were once again collected for child and youth welfare institutions. In total, the project was able to provide Christmas presents to 200 children.

NOVOMATIC Italia took part in the Io per Lei telethon initiative, which helps mothers who have children suffering from rare diseases. The support for the charitable organization A.G.E.O.P. helped to fulfill Christmas wishes for children suffering from cancer.

NOVOMATIC UK donated the profits from raffle sales in Great Britain to the expansion of the Treetops Hospice in Risley, Derbyshire.

Last year in Madrid, NOVOMATIC Spain started Operación Kilo. In total, as part of this initiative, 1000 kilograms of food were collected for people in need.

NOVOMATIC Netherlands and its Eurocoin Gaming team collected, as part of Amsterdam City Swims, a significant donation for the fight against amyotrophic lateral sclerosis (ALS).

The subsidiary Interigre in Croatia supported underdeveloped and poor regions of Croatia in 2018. Funds were provided for a sensory-park for autistic children, a regional institute for cancer patients, a local football club, a social supermarket, an organization for orphans and disabled children, as well as projects of an association that supports children with malignant diseases.

Volunteering

"Volunteer work is understood to mean a donation of time and skills in order to provide services or complete tasks without expecting any direct financial compensation. Volunteer work is a type of donation."

 Gabler Wirtschaftslexikon: www.wirtschaftslexikon.gabler.de

A pillar of social commitment at NOVOMATIC is the donation of time and resources, instead of money. Corporate Volunteering is an initiative through which the company supports socially beneficial projects by making use of the energy, expertise, and time of its employees.

The NOVOTeam, the volunteer project from NOVOMATIC, was thus brought to life in 2017. The goal is to donate time and resources to provide social contributions in the regions in which NOVOMATIC is active. This also reflects the excellent social commitment displayed by the company's employees. Therefore they can participate in the project in their working time.

In November 2018, the first Corporate Volunteering Week was run by the NOVOMATIC NOVOTeam volunteer initiative. More than 30 employees, including apprentices, cooked food for more than 400 homeless people and people in need, participated in activities with retirees, and painted a home for people with disabilities. Employees from the joinery and production departments supported institutions by manufacturing metal shelves, wall installations, and a metal roof.

Subsidiaries also did their part for society by engaging in volunteer work.

Once again in 2018, the LÖWEN Group in Germany proclaimed that "LÖWEN apprentices help". 13 apprentices volunteered with the Bingen parks offices to renovate a play ship for children.



The LÖWEN apprentices help project

STATEMENT BY THE EXECUTIVE BOARD

The following (consolidated) non-financial report was compiled in accordance with requirements of the Austrian Law on the "Improvement of Sustainability and Diversity (NaDiVeG)" and contains all information with regard to non-financial key figures. In addition, the company is dedicated to supporting the Sustainable Development Goals (SDGs), compliance with the United Nations Global Compact (UNGC) Principles, and implementation of the GRI-standards 2016.

We confirm that, to the best of our knowledge, this report complies the §§ 243b and 267a of the Austrian Commercial Code, and provides an overview of the non-financial key figures that is as accurate as possible.

Gumpoldskirchen, April 17, 2019

The Executive Board of NOVOMATIC AG:

Harald Neumann
Chairman of the Board of
Management, CEO

Dr. Christian Widhalm
Deputy Chairman,
Chief Investment Officer, CIO

Ryszard Presch
Chief Operating Officer, COO

Thomas Graf
Chief Technology Officer,
CTO

Peter Stein
Chief Financial Officer,
CFO


Bartholomäus Czapkiewicz
Chief Systems Development Officer,
CSO

GRI-, SDG-, UNGC- AND NADIVEG-INDEX

The index herinafter provides a summary of the application of relevant Corporate Responsibility Guidelines and standards implemented by NOVOMATIC.

Sustainable Development Goals (SDGs):

Ever since they were published in 2015, NOVOMATIC AG has supported the globally applicable Sustainable Development Goals (SDGs). These 17 major goals and around 170 sub-goals, which all focus on sustainability, are the orientation for all countries around the world as a successor to the Millennium Development Goals (MDGs). NOVOMATIC uses these SDGs as a strategic guide and provides information within the framework of this report.


In the NOVOMATIC AG Group Annual Report, the paragraphs containing information relevant to the SDG are marked with the SDG logo . The numbers beside it reference the associated SDG goal.

 United Nations Sustainable Development Goals
<https://sustainabledevelopment.un.org>

United Nations Global Compact (UNGC) Principles:

The NOVOMATIC AG Annual Report serves as Communication on Progress in line with the UNGC principles. NOVOMATIC joined the UNGC in May 2014. The initiative was founded in 2000 at the instigation of Kofi Annan, the UN General Secretary at the time. The objective of the UN Global Compact is to enhance social and environmental sustainability on an international level and to promote the social commitment of companies. More than ten principles describe the areas in which companies should take on social responsibility for their actions.



This Communication on Progress is also available online on the United Nations Global Compact website:


 United Nations Global Compact NOVOMATIC AG Profile:
www.unglobalcompact.org/what-is-gc/participants/36511

Global Reporting Initiative (GRI) Reporting Standards:

The information and key figures provided in the report are based on definitions of reporting standards from the Global Reporting Initiative, with a "core" scope of application. The GRI standards were not implemented in full. The last fiscal year saw the transition from GRI G4 guidelines to GRI standards.

NOVOMATIC has been using GRI since 2011. GRI was founded in 1997 in partnership with the United Nations environmental program. The goal was to increase transparency and comparability of information on sustainability within companies. Today, the GRI reporting guidelines and directives are the de facto standard for reporting on corporate responsibility and sustainability information.

In the present NOVOMATIC AG Annual Report, the paragraphs with GRI-related information are marked by the  symbol and the numbered abbreviation for each GRI Indicator.  GRI 103-2

 Global Reporting Initiative (GRI):
www.globalreporting.org

Austrian Law on the Improvement of Sustainability and Diversity (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG):

This report was written to meet requirements of the §§ 243b and 267a of the Austrian Commercial Code, and thus serves as the (consolidated) non-financial report as part of the Annual Report.

The Austrian Law on the "Improvement of Sustainability and Diversity" was published on January 17, 2017, in the Austrian Federal Gazette. It implements, at a national level, EU Directive 2014/95/EU on non-financial reporting. NOVOMATIC AG is required to fulfill the conditions of the law due to the bonds

issued to the market, the size of the company, and its status as a Public Interest Entity (PIE).

 European Commission Guidelines on non-financial reporting: <https://eur-lex.europa.eu/>

The index shows the applied guidelines and standards in each column. The rows contain the SDG Goals, UNGC Principles, GRI Indicators, and NaDiVeG requirements. The order of the contents is based on the GRI standards' standard information, and the priority of those issues identified as material. In addition to a GRI label per material issue, the name used in the Annual Report is listed in brackets.

This report is equivalent to the yearly Communication on Progress Report in accordance with United Nations Global Compact principles.

In addition to the information provided in the Annual Report, there are further GRI key figures in the Corporate Responsibility data notes. These notes are included in the digital version of the report. The print version indicates that the notes of these figures can be downloaded separately on the NOVOMATIC website, which is accessible to everyone.

 Corporate Responsibility Notes to the Annual Report: www.novomatic.com/cr

The following chart presents, in integrated form, the GRI Index as well as references to information regarding the SDG goals, UNGC Principles and the NaDiVeG requirements.

The material issues are listed based on their priority within the materiality matrix. In addition to a GRI label per material issue, the name used in the Annual Report is listed in brackets.

GRI information	GRI information title	Page numbers and references	References and notes on GRI, SDG, UNGC, NaDiVeG information
GRI 101: Foundation 2016			
GRI 101	Foundation 2016		The principles of reporting for determining the contents and quality of the report have been met.
GRI 102: General disclosures 2016			
Organizational profile			
GRI 102-1	Name of the organization		NOVOMATIC AG
GRI 102-2	Activities, brands, products and services.	21–35	"NOVOMATIC in detail", "Management Report for the Individual and Consolidated Financial Statements"
GRI 102-3	Location of headquarters		Wiener Straße 158, 2352 Gumpoldskirchen, Austria
GRI 102-4	Locations of operations	12–13	Annual Report: "NOVOMATIC: Global Operations"
GRI 102-5	Ownership and legal form	6–7	"Organizational Chart"
GRI 102-6	Markets serviced	12–13	Annual Report: "NOVOMATIC: Global Operations"
GRI 102-7	Scale of the organization	6–7, 12–13	"Organizational Chart", "NOVOMATIC Global Operations", "Consolidated Financial Statement"
GRI 102-8	Information on employees and other workers	81	"Enjoy Working With Us", "Corporate Responsibility notes"
GRI 102-9	Supply chain	76	"Always Compliant" section: Supplier responsibility
GRI 102-10	Significant changes to the organization and its supply chain	14–15	"Growth of the NOVOMATIC Group", "Consolidated Financial Statement"
GRI 102-11	Precautionary Principle or approach		The precautionary approach is shown separately for the individual fields of action.
GRI 102-12	External initiatives	55	"CR-Management"
GRI 102-13	Membership of associations	55	"CR-Management"
Strategy			
GRI 102-14	Statement from senior decision-maker	19	Annual Report: "Foreword"
GRI 102-15	Key impacts, risks, and opportunities	38–39, 73–74	"CR- Strategy", "Always Compliant" section: Audit & Risk Management
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	41–43	"CR Strategy"
GRI 102-17	Mechanisms for advice and concerns about ethics	73	"Always Compliant"
Governance			
GRI 102-18	Governance structure	48	"CR Strategy", "Notes on the Consolidated Financial Statement"
GRI 102-19	Delegating authority		The NOVOMATIC AG Group Executive Board is the highest governing body, and delegates authority regarding economic, ecological, and social issues. CR Strategy section: Anchoring of the organization
GRI 102-20	"Executive-level responsibility for economic, environmental, and social topics"	48	"CR Strategy"
GRI 102-21	"Consulting stakeholders on economic, environmental, and social topics"	54	"CR-Management"
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	52	"CR-Management"
GRI 102-41	Collective bargaining agreements		In countries in which there are corresponding provisions for collective bargaining, these also apply to the employment contracts. Thus, the percentage is 100 percent.
GRI 102-42	Identifying and selecting stakeholders	52–55	"CR-Management"
GRI 102-43	Approach to stakeholder engagement	52–55	"CR-Management"
GRI 102-44	Key topics and concerns raised	52–57	"CR Management", section: Stakeholder dialogs materiality matrix
Reporting practice			
GRI 102-45	Entities included in the consolidated financial statements	49–50	Non-financial information and data in the non-financial report were directly recorded for the scope of the core companies. All additional data for those companies within the scope of consolidation of the NOVOMATIC AG Group (including discontinued companies) but not directly recorded was projected
GRI 102-46	Defining report content and topic Boundaries	56–57	"CR Management" section: Focus on what is important
GRI 102-47	List of material topics	56	"CR Management", Materiality Matrix
GRI 102-48	Restatements of information		Explanations within the text, as well as footnotes in the case of key figures and graphics
GRI 102-49	Changes in reporting	49–50	Changes to the consolidated companies (e.g. mergers, takeovers, etc.) are referenced in the summary of the companies included in the non-financial report in the CR Strategy chapter. Compared to the previous year, there have been comprehensive expansions to the information recorded directly (core companies) and, for the first time, data projections have been made for other companies within the scope of consolidation of the NOVOMATIC AG Group (including discontinued companies). The material issues, time periods, information provided, and key figures remain unchanged.
GRI 102-50	Reporting period	48	Unless otherwise stated, all information and data refer to the 2018 fiscal year from 1/1/2018 to 12/31/2018. Figures are taken from the cut-off date of 12/31/2018.
GRI 102-51	Date of most recent report	48	27 April 2018 Annual Report 2017 – NOVOMATIC AG Group

GRI information	GRI information title	Page numbers and references	References and notes on GRI, SDG, UNGC, NaDiVeG information
GRI 102-52	Reporting cycle	48	Annual
GRI 102-53	Contact point for questions regarding the report	54	Group CR Management is the point of contact E-mail: CR@novomatic.com Telephone: +43 2252 606 0"
GRI 102-54	Claims of reporting in accordance with the GRI Standards	51	This report was created in compliance with the GRI-standards: Option 'core'.
GRI 102-55	GRI content index		"GRI-, SDG-, UNGC-, and NaDiVeG-Index"
GRI 102-56	External assurance	118–119	This (consolidated) non-financial report was audited by the certified public accounting firm Deloitte Audit Wirtschaftsprüfungs GmbH in regards to selected information and fulfillment of the requirements in the Austrian Law on the Improvement of Sustainability and Diversity. For details, see the audit report for the non-financial report."
GRI 103: Management approach 2016			
GRI 103-1	Explanation of the material topic and its Boundary	42–43, 56–58	The identification and delimitation of material fields of action is provided by the materiality matrix and the description provided in each section (for material issues, see the headings in this index). The impact of business activities, as well as participation of the organization in same, are represented in the value creation chart, as well as per issue in the relevant chapters. Limitations and exclusions are covered in the "GRI-, SDG-, UNGC-, and NaDiVeG-Index".
GRI 103-2	The management approach and its components	60–63, 70–75, 78–83, 92–95, 100–101	The management approach to strategic CR fields of action is explained in the chapters "CR Strategy" and "CR Management". The management approach for the material issues in these fields of action is explained at the beginning of each chapter on the issue, and a short description is given for each section on the issue. In addition, information is provided in the summary pages at the beginning of each chapter, goals, measures taken in previous years, and measures for the coming year.
GRI 103-3	Evaluation of the management approach	56–58	The "CR Management" chapter describes in detail how the effectiveness of the management approach is audited and improved for each issue. The chapter "Always Compliant" describes the mechanism for auditing the management approach.
Player protection (no GRI Standards)			
No GRI Indicators	Information on dealing with player protection		No GRI, SDG, UNGC, and NaDiVeG equivalents
GRI 417: Marketing and labeling 2016 (responsible marketing)			
GRI 417-1	Requirements for product and service information and labeling	62–63	"Responsible Entertainment", "Going Green" 100% of the services offered within the Group must meet the relevant and applicable legal requirements. Not only that, the social, ecological, and governance aspects listed in the Group Guidelines apply to all subsidiaries."
GRI 205: Anti-corruption 2016 (corruption & money laundering prevention)			
GRI 205-2	"Communication and training about anti-corruption policies and procedures"	74–75	"Always Compliant" All members of the Supervisory Board, the Executive Board, as well as all employees, in all countries in which the Group has a presence, have access to the anti-corruption guideline on the Group-wide Intranet "NOVONET" and must implement it. In addition, training sessions for executives are carried out in all companies and countries on the issues. The supervisory board does not receive this training.
GRI 201: Economic performance 2016 (local anchoring)			
GRI 201-1	Direct economic value generated and distributed	105	"Active in the Community" section: Strengthening the Economy, Management Report for the Individual and "Consolidated Financial Statements" section: Profit and Loss Account, "Consolidated Financial Statement", section: Segment Reporting
GRI 403: Occupational health and safety 2018 (occupational safety & employee health)			
GRI 403-6	Promotion of worker health	86–87	"Enjoy Working with Us", section: Occupational Safety & Employee Health Access to work-related medical services is achieved via legally regulated company medical offers in the relevant country and company.
GRI 403-9	Work -related injuries	86–87	"Enjoy Working with Us", section: Occupational Safety & Employee Health In order to ensure high comparability and validity, the international indicator known as the Lost Time Injury Frequency Rate (LTIFR) is used to calculate the accident rate. To do this, the number of work accidents that must be reported in accordance with local law and requiring at least three days absence is compared with the number of hours worked in the same period for each million work hours. LTIFR = number of work accidents that must be reported and requiring at least three days absence / number of hours worked x 1.000.000 There were no work-related deaths in 2018.
GRI 418: Customer privacy 2016 (data protection)			
GRI 418-1	"Substantiated complaints concerning breaches of customer privacy and losses of customer data"	75	"Always Compliant", section: Data Protection Over the last year, there were no justified complaints made by customers regarding violation of protection of personal data, insofar as recorded Group-wide by various systems. NOVOMATIC reported a violation of the protection of personal data to the relevant authority. After evaluating the facts, the authority closed the case.

Omissions in accordance with GRI	SDG Goals	UN Global Compact principles	NaDiVeG requirements	External audit focus
			National, union-based and international frameworks	
			Applied due diligence processes	
				Responsible Entertainment measures listed in the summary
			Industry-specific issues	
The total number and percentage of trained employees on the subject of fighting corruption is not reported due to the data situation.	SDG 16 Peace, Justice and strong institutions Target 16,5	Principle 10	"Fighting corruption and bribery"	
	SDG 8 Decent work and Economic Growth Targets 8,1, 8,2			
Number and rate of work-related injuries, number of hours worked, as well as dangers and risks posed by the work are not reported due to the data situation.	SDG 3 Good Health and Wellbeing Target 3,9 SDG 8 Decent work and Economic Growth Target 8,8		Social & Employee Issues Social & Employee Issues	Sick leave days within the Group
	SDG 16 Peace, Justice and strong institutions Target 16,3		Industry-specific issues	Statements on implementing the General Data Protection Regulation and measures taken

GRI information	GRI information title	Page numbers and references	References and notes on GRI, SDG, UNGC, NaDiVeG information
GRI 405: Diversity and equal opportunity 2016 (employee diversity & equal treatment)			
GRI 405-1	Diversity of governance bodies and employees	87–88	"Enjoy Working with Us", section: Employee Diversity & Equal Treatment, "Corporate Responsibility notes"
GRI 404: Training and education 2016			
GRI 404-1	Average hours of training per year per employee	83	"Enjoy Working with Us", section: Training and Further Education, "Corporate Responsibility notes"
GRI 404-2	"Programs for upgrading employee skills and transition assistance programs"	83–84	"Enjoy Working with Us", sections: Training and Further Education, Employee Diversity & Equality
GRI 308: Supplier environmental assessment 2016 (supplier responsibility)			
GRI 308-1	New suppliers that were screened using environmental criteria	76	"Always Compliant", section: Supplier Responsibility Last year, around 25% of NOVOMATIC AG Group suppliers were evaluated based on environmental criteria (e.g. Environmental Standard ISO 14001). For the future, there are plans to improve the data situation and the purchasing principles (Supplier Code of Conduct) at all core companies.
GRI 414: Supplier social assessment 2016 (supplier responsibility)			
GRI 414-1	New suppliers that were screened using social criteria	76	"Always Compliant", section: Supplier Responsibility Last year, around 23% of NOVOMATIC AG Group suppliers were evaluated based on social criteria (e.g. Occupational safety standard OHSAS 18001). For the future, there are plans to improve the data situation and the purchasing principles (Supplier Code of Conduct) at all core companies.
GRI 306: Effluents and waste 2016 (waste)			
GRI 306-2	Waste by type and disposal method	98	"Going Green", section: Waste and in "Corporate Responsibility notes"
GRI 301: Materials (resource consumption, recyclability) 2016			
GRI 301-3	Reclaimed products and their packaging materials	99	"Going Green", section: End of Product Life The number lists the percentage of gaming devices with recyclable components as compared to the total number produced as a percentage.
GRI 302: Energy 2016 (energy consumption & emissions)			
GRI 302-1	Energy consumption within the organization	95–97	"Going Green", section: Energy & Emissions Energy used for heating and cooling is included in the values for district heating, natural gas, and electricity consumption. The conversion factors are derived from the following source: Umweltbundesamt Datenstand August 2018 http://www5.umweltbundesamt.at/emas/co2mon/co2mon.html
GRI 305: Emissions 2016 (energy consumption & emissions, emissions from transport & logistics)			
GRI 305-1	Direct (Scope 1) GHG emissions	95–97	"Going Green", section: Energy & Emissions No greenhouse gases other than CO2 were recorded. The consolidation approach is in accordance with the CO2 emissions recorded directly by the core companies, as well as the projection for all additional companies within the scope of consolidation of the NOVOMATIC AG Group (including discontinued companies). The conversion factors are derived from the following source: UK government "Conversion factors 2018–Condensed set (for most users)" https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018 Data is based on the international Greenhouse Gas Protocol (GHG): https://ghgprotocol.org/corporate-standard
GRI 305-2	Energy indirect (Scope 2) GHG emissions	95–97	"Going Green", section: Energy & Emissions No greenhouse gases other than CO2 were recorded. The consolidation approach is in accordance with the CO2 emissions recorded directly by the core companies as well as the projection for all additional companies within the scope of consolidation of the NOVOMATIC AG Group (including discontinued companies). The conversion factors are derived from the following source: UK government "Conversion factors 2018–Condensed set (for most users)" https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018 Data is based on the international Greenhouse Gas Protocol (GHG): https://ghgprotocol.org/corporate-standard
GRI 305-3	Other indirect (Scope 3) GHG emissions	95–97	Only emissions from employee air travel were recorded. In the future, the data will be expanded to include air transport of goods.

Omissions in accordance with GRI	SDG Goals	UN Global Compact principles	NaDiVeG requirements	External audit focus
The percentage of salaried employees per category of salaried employee, as well as division into age groups, was not reported due to the data situation.	SDG 5 Gender Equality Target 5,1 SDG 8 Decent work and Economic Growth, Target 8,5	Principle 6	Social and Employee Issues	Women in leadership positions
Division based on gender and category of salaried employee was not reported due to the data situation.	SDG 4 Quality Education Target 4,5 SDG 5 Gender Equality Target 5,1 SDG 8 Decent work and Economic Growth, Targets 8,2, 8,5		Social and Employee Issues	
	SDG 4 Quality Education SDG 8 Decent work and Economic Growth, Target 8,5		Social and Employee Issues	
		Principles 8 & 9	Environmental concerns	
	SDG 8 Decent work and Economic Growth Target 8,8		Social & Employee Issues	
The breakdown of removal procedures and waste removal methods was not reported due to the data situation.	SDG 3 Good Health and Wellbeing Target 3,9 SDG12 Responsible Consumption and Production Target 12,5	Principles 7 & 8	Environmental concerns	
Packaging materials were not included in the report due to the data situation.		Principles 7 & 8	Environmental concerns	
	SDG 7 Affordable and clean Energy Targets 7,2, 7,3 SDG 8 Decent work and Economic Growth Target 8,4 SDG12 Responsible Consumption and Production Target 12,5 SDG 13 Climate Action Target 13,1	Principles 7 & 8	Environmental concerns	
	SDG 3 Good Health and Wellbeing Target 3,9 SDG 13 Climate Action Target 13,1	Principles 7 & 8	Environmental concerns	Direct (Scope 1) Emissions
	SDG 3 Good Health and Wellbeing Target 3,9 SDG 13 Climate Action Target 13,1	Principles 7 & 8	Environmental concerns	Indirect (Scope 2) Emissions
Due to the effort required for data collection, only CO ₂ equivalent emissions were recorded.	SDG 3 Good Health and Wellbeing Target 3,9 SDG 13 Climate Action Target 13,1	Principles 7 & 8	Environmental concerns	

GRI information	GRI information title	Page numbers and references	References and notes on GRI, SDG, UNGC, NaDiVeG information
GRI 412: Human rights assessment 2016 (human rights)			
GRI 412-1	"Operations that have been subject to human rights reviews or impact assessments"	76–77	"Always Compliant", section: Human Rights NOVOMATIC is committed to complying with human rights laws, in particular the United Nations Global Compact (UNGC) principles and the OECD Guidelines for multinational companies. Legal requirements regarding human rights must be obeyed by all subsidiaries in all countries. In addition, employees must comply with the Group-wide Code of Conduct, which references human rights' issues. Compliance with human rights is checked via the option of reporting violations over the whistleblowing hotline.
Security in gaming facilities (no GRI Standards)			
	Information on security in gaming facilities		No GRI or UNGC equivalents.
GRI 206: Anti-competitive behavior 2016 (fair competition)			
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	77	"Always Compliant", section: Fair Competition & Public Affairs Last year there were no legal proceedings based on anti-competitive conduct.
Public affairs (no GRI Standards)			
	Information on public affairs activities		No GRI or UNGC equivalents.
GRI 303: Water 2018 (resource consumption)			
GRI 303-3	Water withdrawal by source	98	"Going Green", section: Water All water is fresh water and is derived from the public water supply network (that is from third parties).
Innovation (no GRI Standards)			
	Innovation data		No GRI or UNGC equivalents.
Sponsoring (no GRI Standards)			
	Information on sponsoring activities, donations, and volunteer work		No GRI or UNGC equivalents.
United Nations Global Compact specific information			
	UNGC support		Declaration of the Executive Board in support of the UNGC principles.
	Freedom of association		NOVOMATIC respects the right to freedom of association in all subsidiaries. Employment contracts within the subsidiaries are subject to various degrees of collective bargaining agreements.
	Forced labor		NOVOMATIC is emphatically against any form of forced labor within its business and that of suppliers.
	Child labor		NOVOMATIC is emphatically against any form of child labor within their business and that of suppliers.
General Standards in regards to the Austrian law on the improvement of sustainability and diversity			
	Material concerns	56–57	All concerns (issues) identified as material are described inasmuch as possible in terms of their relevance in the relevant chapters and sections, in the context of business activities, approaches in use, the results of said approach, the applied due diligence, the material risks, and the non-financial performance indicators. All material concerns are represented in the materiality matrix.
	Description of the business model	5–15, 21–35	NOVOMATIC at a Glance, NOVOMATIC in Detail, Management Report for the Individual and Consolidated Financial Statements
	Approach used per concern		See introduction to each relevant chapter and issue section.
	Result of this approach		See introduction to each relevant chapter and issue section.
	Applied due diligence	72–73	See introduction to each relevant chapter and issue section.
	Material risks	72–73	Always Compliant, section: Audit & Risk Management See introduction to each relevant chapter and issue section. Always Compliant, section: Audit & Risk Management, Management Report for the Individual and Consolidated Financial Statements, section: risk management
	Non-financial performance indicators		See introduction to each relevant chapter and issue section. Annual Report Inside Cover, "Corporate Responsibility notes
	"Application of international frameworks"	44–46, 58	Non-financial reporting is carried out in accordance with the reporting standards listed in the Global Reporting Initiative (GRI), with the Sustainable Development Goals (SDGs), and taking into account the United Nations Global Compact (UNGC) principles.

Omissions in accordance with GRI	SDG Goals	UN Global Compact principles	NaDiVeG requirements	External audit focus
The number and percentage of audited locations was not reported due to the data situation.		Principles 1 & 2	Respect for human rights	
			Social & Employee Issues	
	SDG 16 Peace, Justice and strong institutions Target 16,3			
			Industry-specific issues	
		Principles 7 & 8	Environmental concerns	
		Principle 9	Industry-specific issues	
			Industry-specific issues	
		Principles 1 – 10		
		Principle 3		
		Principle 4		
		Principle 5		
			Material concerns	Audit for legally compliant publishing
			Business model	Audit for legally compliant publishing
			Approach	Audit for legally compliant publishing
			Result of this approach	Audit for legally compliant publishing
			Due diligence processes	Audit for legally compliant publishing
			Material risks	Audit for legally compliant publishing
	SDG 12 Responsible Consumption and Production Target 12,6		Non-financial performance indicators	Audit for legally compliant publishing
			National, union-based and international frameworks	Audit for legally compliant publishing

COURTESY TRANSLATION OF THE INDEPENDENT ASSURANCE

on Non-Financial Reporting*

Introduction

We performed procedures to obtain limited assurance on the information reported for the year 2018, the implementation of the Data Protection Regulation and its related measures, the "Responsible Entertainment measures in summary" as well as non-financial performance indicators "sick leave rate (The sick leave rate is the percentage of employees that took at least one sick day.)", "Women in leadership positions (Leadership positions are jobs with leadership responsibilities.)", "direct CO₂ emissions (scope 1)" and "indirect CO₂ emissions (scope 2)" in the (consolidated) non-financial report for the year 2018 (hereafter referred to as "Report"). Furthermore, we performed procedures to obtain limited assurance, if the reported information meets the reporting requirements of §§ 243b and 267a UGB (Austrian Commercial Code).

Management's Responsibility

The preparation of the report in accordance with the reporting principles as well as the selection of the scope of the engagement are the responsibility of the management of NOVOMATIC AG. The reporting principles include the in GRI-Standards 2016 contained principles of reporting issued by the Global Sustainability Standards Board (GSSB) and the reporting requirements stated in §§ 243b and 267a UGB.

This responsibility of the group's management includes the selection and application of appropriate methods for preparing the report, making assumptions and estimates of individual non-financial disclosures that are plausible under the given circumstances. The responsibility of the management also includes designing, implementing and maintaining internal controls, which have been determined as necessary by management for the preparation of the (consolidated) non-financial report free from material – intended or unintended – misrepresentations.

Responsibility of the auditor

Our responsibility is to express a limited assurance opinion on the non-financial report of 2018 based on our review of the reported information about the implementation of the Data Protection Regulation and its related measures, the "Responsible Entertainment measures in summary" as well as non-financial performance indicators "sick leave rate (The sick leave rate is the percentage of employees that took at least one sick day.)", "Women in leadership positions (Leadership positions are jobs with leadership responsibilities.)", "direct CO₂ emissions (scope 1)" and "indirect CO₂ emissions (scope 2)". Based on our review, we also express a limited assurance opinion on whether all reporting requirements of §§ 243b and 267a UGB are met.

We conducted our engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) in order to obtain limited assurance on the subject matters.

ISAE 3000 (Revised) requires us to plan and perform the engagement in a way that enables us to obtain limited assurance that nothing has come to our attention that causes us to believe that the reported information 2018 about the implementation of the Data Protection Regulation and its related measures, the "Responsible Entertainment measures in summary" as well as non-financial performance indicators "sick leave rate (The sick leave rate is the percentage of employees that took at least one sick day.)", "Women in leadership positions (Leadership positions are jobs with leadership responsibilities.)", "direct CO₂ emissions (scope 1)" and "indirect CO₂ emissions (scope 2)" has not, in any material aspect, been prepared in accordance with the reporting criteria of GRI Standards and all reporting requirements of §§ 243b and 267a UGB.

* The German wording of the signed Independent Assurance Report, which refers to the German Version of the Report, is the only binding one. The English translation is not binding and shall not be used for the interpretation of the English Version of the Report.

In a limited assurance engagement, the evidence-gathering procedures are more limited than in a reasonable assurance engagement and therefore, less assurance can be obtained. The choice of audit procedures lies in the due discretion of the auditor.

As part of our audit, we have performed, inter alia, the following audit procedures and other activities as far as they are relevant to the limited assurance engagement:

- Interview of the employees named by NOVOMATIC AG regarding the sustainability strategy, the sustainability principles and the sustainability management
- Interviewing employees to assess the methods of data collection, data processing and internal controls
- Site visit in Rimini
- Matching the non-financial disclosures that are shown in the report and lie within the audit scope, with the calculation documents and records provided
- Furthermore, we conducted procedures with regard to whether the reporting requirements of §§ 243b and 267a UGB are met with the report

Summarized Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the information about the implementation of the Data Protection Regulation and its related measures, the “Responsible Entertainment measures in summary” as well as non-financial performance indicators “sick leave rate (The sick leave rate is the percentage of employees that took at least one sick day.)”, “Women in leadership positions (Leadership positions are jobs with leadership responsibilities.)”, “direct CO₂ emissions (scope 1)” and “indirect CO₂ emissions (scope 2)” stated in the Report 2018 have not, in all material aspects, been prepared in accordance with the reporting criteria of the GRI Standards.

Furthermore, nothing has come to our attention that causes us to believe that the reporting requirements of §§ 243b and 267a UGB are not met.

Terms of engagement

The basis for this engagement are the “General Conditions of Contract for the Public Accounting Professions”, as issued by the Chamber of Tax Advisers and Auditors in Austria on April 18, 2018 (“AAB 2018”). In accordance with chapter 7 AAB 2018, our liability shall be limited to intent and gross negligence. In cases of gross negligence, the maximum liability is limited to a maximum of five times the fee. This amount constitutes a total maximum liability cap, which may only be utilized once up to this maximum amount, even if there is more than one claimant or more than one claim has been asserted.

Vienna, April 17, 2019

Deloitte Audit Wirtschaftsprüfungs GmbH

Mr. Gerhard Marterbauer
Certified Public Accountant

Dr. Christoph Waldeck
Certified Public Accountant

NOVOMATIC AG

www.novomatic.com