# NOVOMATIC AG

Annual Financial Report 2017

# Contents

## Annual Financial Report



This English report is a translation of the consolidated financial statements and the individual financial statements of NOVOMATIC AG for 2017, which were prepared in German and audited by the auditing firm Deloitte Audit Wirtschaftsprüfungs GmbH in the original language. The English version has no legally binding effect.

Dr. Christian Widhalm Thomas Graf Peter Stein Harald Neumann Ryszard Presch

# Foreword by the **Board of Directors**

## Dear Ladies and Gentlemen,

In the 2017 fiscal year, the NOVOMATIC AG Group was again able to set a record in sales revenues, which reached the highest level in the company's history at EUR 2,527 million, compared to EUR 2,274 million in 2016. This corresponds to growth of more than 11 percent against the previous year, with the area of gaming machine proceeds during the year under review once again performing particularly well. Not only that, several significant acquisitions were finalized; these acquisitions reinforce the position of the NOVOMATIC Group as the leading company in the European market. NOVOMATIC was given the green light from the British gaming authority to purchase the British company Talarius. Thanks to this purchase, we are now the largest gaming facility operator in the Adult Gaming Center segment within the UK. In Germany, the Federal German Cartel Office approved the purchase of the Casino Royal Group. By combining the Casino Royal Group with the ADMIRAL gaming facilities run by the LÖWEN Group, NOVOMATIC has become the leading operator of gaming facilities and AWP machines in Germany.

The company also reached significant milestones in Austria. ADMIRAL Arena Prater – Europe's largest sports bar – opened in Vienna. One notable highlight at the venue is the largest indoor LED wall in Europe, at 42 m². In addition, authorities in Lower Austria and Burgenland issued permission for gaming devices to be set up in those provinces, and for the first time, representatives of NOVOMATIC AG were appointed to the Supervisory Board of Casinos Austria AG and Österreichische Lotterien GmbH. Furthermore, NOVOMATIC AG has a new Chairman of the Supervisory Board. Senator Herbert Lugmayr served as Chairman of the Supervisory Board, playing a key role in the success of the company. In 2017, he handed over the reins to Dr. Bernd Oswald.

Outside of Europe, the main focus for the year under review was the continuing acquisition of more than 52 percent of the shares in Ainsworth Game Technology Ltd. Ainsworth's strong presence in Australia, Asia, and North and South America, will allow NOVOMATIC to strengthen its position within these markets in the future. In the second half of 2017, NOVOMATIC was able to secure a major contract with Foxwoods Resort Casino, the largest casino resort provider in the US. Acquisitions over the last few years have contributed significantly to growth at NOVOMATIC, and the company now has over 300 subisidiaries. In 2017, the first steps were taken to shift the focus to consolidation and integration measures. We are convinced there is potential here and will continue to concentrate on increasing efficiency.

In addition, of course, NOVOMATIC is dedicated to sustainable company development. This strategy takes into account not just economic aspects of business, but also employee issues and environmental protection measures, as well as the interests of our stakeholders. In the Corporate Responsibility section of this report, there is detailed information on our successes and activities 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 we invest in our employees in order to increase satisfaction and create the best possible working environments. Many programs carried out in the year under review are proof of NOVOMATIC's positive commitment to employees, such as the 6th NOVOMATIC soccer tournament, the 4th NOVOSafety Day as well as the 3rd NOVOHealth Day.

| Harald Neumann | Dr. Christian Widhalm | Thomas Graf | Peter Stein | Ryszard Presch |
|---|---|---|---|---|
| Chairman | Deputy Chairman | Chief Technology | Chief Financial | Chief Operating |
| Chief Executive Officer | Chief Investment Officer | Officer | Officer | Officer |


€ 755M
€ 960M
€ 1,114M
€ 1,058M
€ 1,184M
€ 1,387M
€ 1,537M
€ 1,684M
€ 1,978M
€ 2,086M
€ 2,274M
€ 2,527M
2006
2007
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2016
2017

# Management Report

Details on the 2017 Individual Financial Statement and Consolidated Financial Statement, NOVOMATIC AG, Gumpoldskirchen

## 1. Purpose of the Business and Strategy

NOVOMATIC[1] 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 2,100 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 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 products in a goal-oriented manner.

## 2. Economic Conditions

### Macroeconomic Development

Growth in the global economy began to accelerate in early 2017 and gained additional momentum in subsequent quarters. In its latest analysis, the International Monetary Fund (IMF) assumes a growth rate of 3.7 percent[2], after 3.2 percent in 2016. The global upswing was broad-based from both a regional and structural perspective. This development was driven by a revival of investment activity and an uptick in world trade, with financing conditions remaining favorable.

The majority of developing countries and emerging economies saw a considerable rise in economic growth in 2017 after several years of declining growth rates. According to calculations by the IMF, the increase in the gross domestic product (GDP) of these markets was 4.7 percent, after 4.4 percent in 2016. Despite increased efforts by China to reduce its high level of debt financing and thus accept weaker economic growth, the Chinese economy recorded GDP growth of 6.8 percent. Most of the developing countries and emerging economies in Asia, Latin America, Africa and Eastern Europe were able to take advantage of the recent strong economic growth in the US and Europe, with nations such as Brazil and Russia, in particular, benefiting from the further recovery of commodity markets.

With a macroeconomic growth of 2.3 percent, the United States was able to achieve a solid increase in 2017. So far, there are hardly any signs for a slowdown in the US economy as this development is supported by a number of positive framework conditions. Although the Federal Reserve has initiated a policy of modest rate hikes starting in 2015, the federal funds rate still remains at historically low levels. The weaker US dollar boosted exports and continued buoyant consumer demand also had a stimulating effect on the US economy. This was also helped by the favorable situation in the US labor market. The unemployment rate at the end of 2017 was 4.1 percent, representing the lowest level in 15 years.

Economic growth in the euro region significantly exceeded expectations in 2017. The economic recovery has gradually become an upswing affecting all eurozone countries. In 2017, the eurozone grew at its fastest pace in ten years at 2.4 percent. With base rates remaining low, the European Central Bank (ECB) continued its expanded asset purchase program in 2017, announcing a gradual reduction in the bond-buying program as of January 2018. The aim of this program is to encourage banks to invest less in bonds and instead to lend more. Against the backdrop of further job growth, rising wage growth and increasing capacity utilization, domestic demand also picked up and acted as a driver. In terms of exports, growth also was in step with the robust development of foreign sales markets.

The United Kingdom, which is currently negotiating its exit from the European Union, was only able to achieve a growth of 1.7 percent in 2017 according to the latest IMF assessment, which was 0.3 percent below the value expected in April 2017.

According to estimates by the European Commission, Austria's economy grew twice as fast in 2017 as it did in 2016. For 2017, the European Commission expects a GDP increase of 3.1 percent compared to 1.5 percent in the previous year. According to the European Commission, Austria has clearly benefited from increased global trade and additional demand from neighboring countries. Following moderate growth of Austrian exports of 1.9 percent in 2016, exports increased by more than 5 percent in 2017. However, growth was also driven by strong domestic demand, with high levels of investment in engineering, infrastructure and construction in particular. Private consumption also contributed to this positive development, which received additional impetus from the tax reform that came into force in 2016.

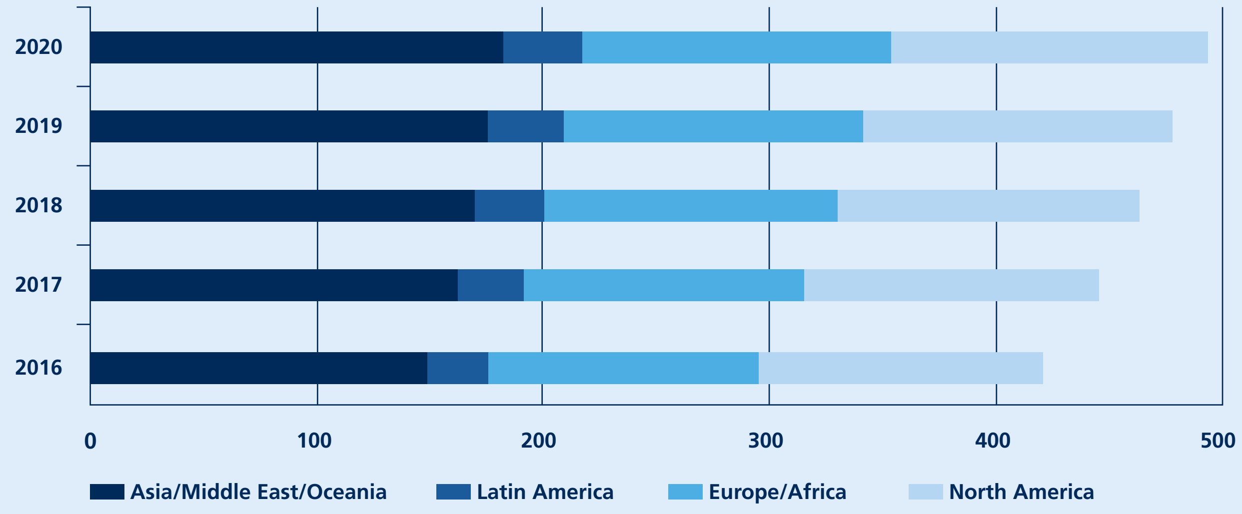
1) In this management report, the terms "NOVOMATIC", "Group" and "NOVOMATIC Group" refer to the group of consolidated companies included in the consolidated financial statement for NOVOMATIC AG

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

## Development of the Gaming Market

As in 2016, gaming expenditures increased again in the reporting year. According to a study[3] carried out by Global Betting and Gaming Consultants (GBGC), worldwide gross gaming revenues came in at USD 446 billion in 2017. This is an increase of 5.9 percent over the previous year. The largest increases were recorded by the casino and lottery sectors.

Worldwide gaming revenues[3]
in billion USD (source: GBGC)




In particular, since the gaming monopoly in Macau was overturned in 2002, the Asia-Pacific region has grown to become the most important gaming market worldwide. 2015 saw a marked decline in gaming revenues, triggered by a campaign on the Chinese mainland to fight corruption and money laundering. The result was that gross gaming revenues of the casinos operated in Macau collapsed by 34.3 percent in 2015. After a period of stabilization in 2016, gaming revenue in the Asia-Pacific region increased significantly in 2017 by 9.0 percent.

Compared to the other three large markets (Asia/Oceania, North America and Europe), the gaming market in Latin America and the Caribbean is less significant. Currently, however, this region is achieving the strongest growth momentum worldwide, with an average annual growth rate of 4.6 percent. Compared to 2016, gaming revenues increased again, with the lottery sector seeing particularly impressive growth at 10.1 percent.

The North American gaming market recorded gross gaming revenues of USD 130 billion in 2017, representing growth of 3.3 percent. The casino sector (including the so-called tribal casinos that are operated by the Native Americans) is by far the largest segment of the North American gaming industry with a share of 57.1 percent, and again saw growth of 3.5 percent in the year under review. The gaming sector outside of casinos also achieved a significant increase of 3.5 percent.

[3] Global Gambling Report by GBGC

The gross gaming revenues of the combined gaming market of Europe/Africa in 2017 reached a value of USD 125 billion. With a share of 32.4 percent, lottery companies, which to a large extent are government-controlled, constitute the most important sector of the European gaming industry, followed by the area of gaming machines outside of casinos (video lottery terminals, fixed odds betting terminals and classic AWP[4] devices) with a share of 25.3 percent. According to a study carried out by GBGC, the European gaming market is growing at an annual rate of 2.1 percent, with the strongest growth rates coming from the betting sector (in particular sports betting).

According to a study carried out by GBGC, global online gaming revenues increased to USD 45.1 billion in 2017, compared to USD 44.8 billion in the previous year. High growth rates were achieved in this area in previous years, meaning that the share of global gaming revenues coming from online gaming rose steadily. This trend, however, has been showing signs of stabilizing since 2015 at a level of around 10 percent. While the areas of online casinos and online betting continued to demonstrate growth, the area of online poker is showing a downward trend.

[4] Amusement with Prices

## 3. Business Performance

### General business development in the reporting period

For NOVOMATIC, 2017 was again characterized by an expansion of its business activity. Through organic and acquisition-driven growth, revenues (before gaming taxes and betting fees) reached an all-time high of EUR 2,527.3 million, compared to EUR 2,274.0 million in 2016. This development is mainly due to a significant increase in the slot arcades operated by NOVOMATIC worldwide. Compared to the same period last year, the number of self-operated locations (including casinos, sports betting outlets and bingo facilities) rose from around 1,900 to just over 2,100. It was also possible to achieve a new all-time high for the number of gaming devices operated. An increase of around 5,000 devices to around 65,000 devices was achieved in the reporting period.

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 less willingness for the German gaming industry to invest. Due to the resulting decline in leased gaming terminals in Germany, the rental portfolio at Group level decreased by nearly 10,000 units compared to the same period of the previous year to approximately 191,000 devices by the end of 2017.

Earnings before interest, taxes, depreciation and amortization (EBITDA) stabilized in 2017 at the level of the previous year at EUR 586.8 million. In addition to an increase in gaming taxes in Italy and fees for betting terminals in Austria, numerous other one-off effects led to a significant reduction in operating profit (EBIT) from EUR 265.3 million in 2016 to EUR 209.8 million in 2017. The preliminary work for the legally required conversion of all gaming devices in Germany in 2018 led to extraordinary costs in the medium single-digit million range in 2017. Further, earnings were weighed down, among other things, by negative foreign currency effects linked to a weaker US dollar. Another significant decline in earnings is the result of a deterioration in the earnings position of the NOVOMATIC Lottery Solutions Group, as well as the related impairment in accordance with IAS 36.

### 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.

In January 2017, NOVOMATIC acquired a majority stake in four Polish companies (including two additional Polish subsidiaries). Even before the share acquisition, the business purpose of the companies acquired in the course of this transaction, ATSI S.A. and Fortress Gaming Technologies S.A., was on development and programming activities for NGI. The company ATT S.A. generates income primarily from the sale, general overhaul and resale of used gaming machines. The fourth company acquired, Novo Poland Sp.z.o.o. is a holding company with a subsidiary that operates four smaller casinos in Poland.

In March 2017, NOVOMATIC acquired 100 percent of the shares in Casino Royal GmbH, Germany. The acquired company and its 10 subsidiaries operate a total of 126 gaming arcades with a regional focus on North Rhine-Westphalia, Lower Saxony and Rhineland-Palatinate. With this acquisition, the Group strengthens its operating activity as an operator in the German gaming market.

NOVOMATIC concluded a purchase agreement in December 2016 for the acquisition of 51 percent of the shares in the Spanish company Basque Gaming S.L. The company operates a total of 13 gaming arcades in the Basque Country. With this acquisition, the Group will intensify its operating activity in the Basque Country and pool its own existing operations. The acquisition of Basque Gaming was subject to various conditions precedent, which were ultimately met in March 2017.

The acquisition of around 52 percent of the shares in Ainsworth Game Technology Ltd. (Ainsworth), signed in 2016 and for which closing had not yet been performed due to formal approval requirements of various international licensing and regulatory bodies, was finally completed in January 2018. The acquisition represents another milestone in the corporate history of NOVOMATIC and is of major strategic importance as it paves the way to access the enormously important North American market, a region with almost one million operated gaming machines. Ainsworth belongs to the market leaders in gaming-enthusiastic Australia and has a strong presence in the Latin American market. The agreed purchase price is AUD 473.3 million.

Furthermore, during the financial year 2017, several smaller operators of gaming facilities in Italy, the Netherlands and Spain 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.

In 2017, the Peruvian subsidiaries Inmobiliaria Rapid S.A.C. and Sierra Machines S.A.C. were sold. The purpose of the business of both companies is the operation of slot arcades. In the NOVOMATIC Consolidated Financial Statement, the sale of the 100 percent shareholding in both companies resulted in a profit of EUR 9.4 million (reported under other operating income) for the year 2017.

In March 2017, NOVOMATIC AG concluded a revolving credit line for the amount of EUR 1 billion with a term of 5 years (with the option of prolonging for up to two years). This credit line was concluded with a syndicate of international banks, serving on the one hand to harmonize and refinance existing credit lines and, on the other, as general financing for the company, including for company acquisitions.

Furthermore, a bond issued in 2010 with a volume of EUR 150 million was repaid in October 2017.

## Consolidated Financial Statement for NOVOMATIC

NOVOMATIC AG's consolidated financial statement has been prepared according to the reporting and measurement methods stipulated by the IFRS (International Financial Reporting Standards).

### INCOME STATEMENT

**Condensed version with selected positions**

| in million EUR | 2017 | 2016 | Difference in % |
|---|---|---|---|
| **Revenues** | **2,527.3** | **2,274.0** | **11.1 %** |
| Gaming taxes and betting fees | -294.2 | -238.3 | -23.5 % |
| Revenues after deduction of gaming taxes and betting fees | 2,233.1 | 2,035.7 | 9.7 % |
| Other operating income | 373.8 | 323.6 | 15.5 % |
| Cost of material and other purchased services | -371.9 | -356.1 | -4.4 % |
| Personnel costs | -763.7 | -668.4 | -14.3 % |
| Total other operating expenses | -884.6 | -748.3 | -18.2 % |
| **EBITDA** | **586.8** | **586.4** | **0.1 %** |
| **EBITDA margin in %** | **23.2 %** | **25.8 %** | |
| Depreciation and amortization | -377.0 | -321.1 | -17.4 % |
| **EBIT** | **209.8** | **265.3** | **-20.9 %** |
| **EBIT margin in %** | **8.3 %** | **11.7 %** | |
| Financial result | -21.5 | -34.6 | 37.9 % |
| Earnings before taxes | 188.3 | 230.7 | -18.4 % |
| Income tax | -102.1 | -75.0 | -36.1 % |
| **Net income from continued operations** | **86.2** | **155.7** | **-44.6 %** |
| Result from discontinued operations | -24.8 | 0.7 | n.a. |
| **Annual profit** | **61.4** | **156.4** | **-60.8 %** |

## Earnings Position

Through organic and acquisition-driven growth, sales revenues reached an all-time high of EUR 2,527.3 million during the 2017 fiscal year. This is an increase of 11.1 percent over the previous year.

The largest absolute increase was achieved in the area of gaming machine revenues which rose by EUR 210.9 million to EUR 1,239.8 million. In addition to the acquisition of Casino Royal in Germany in 2017, the operating companies in the United Kingdom, Spain and Italy, in particular, contributed to this increase.

Significant revenue growth was also achieved with e-business revenues, which increased by EUR 32.5 million, as well as with betting revenues, which came in EUR 23.6 million higher than the previous year. There was, however, a decline in rental revenues of minus EUR 17.5 million (due to regulatory changes in Germany) and sales revenues (especially in Italy and the United Kingdom) of minus EUR 26.7 million.

Gaming taxes and betting fees, which depend largely on revenue, increased in 2017 to EUR 294.2 million, compared to EUR 238.3 million in the previous year.





The rise in own work capitalized of EUR 38.4 million stems largely from the core market of Germany. Likewise, the increase in the cost of materials amounting to EUR 15.8 million is largely attributable to the German market. Both positions reflect the preproduction of gaming devices, which is necessary as a result of the amendment to the German Gaming Ordinance. The regulatory changes stipulate that gaming devices that correspond to the old technical directive 4.1 may not be operated in the future. As a result, from November 11, 2018, only devices corresponding to the new technical directive 5.0 may be operated.

Total other operating income increased from EUR 107.9 million to EUR 134.9 million in the year under review. This item also includes the sale of the 100 percent shareholding in the Peruvian subsidiaries Inmobiliaria Rapid S.A.C. and Sierra Machines S.A.C., which resulted in a gain of EUR 9.4 million. Higher earnout charges from earlier divestments also contributed to this increase.

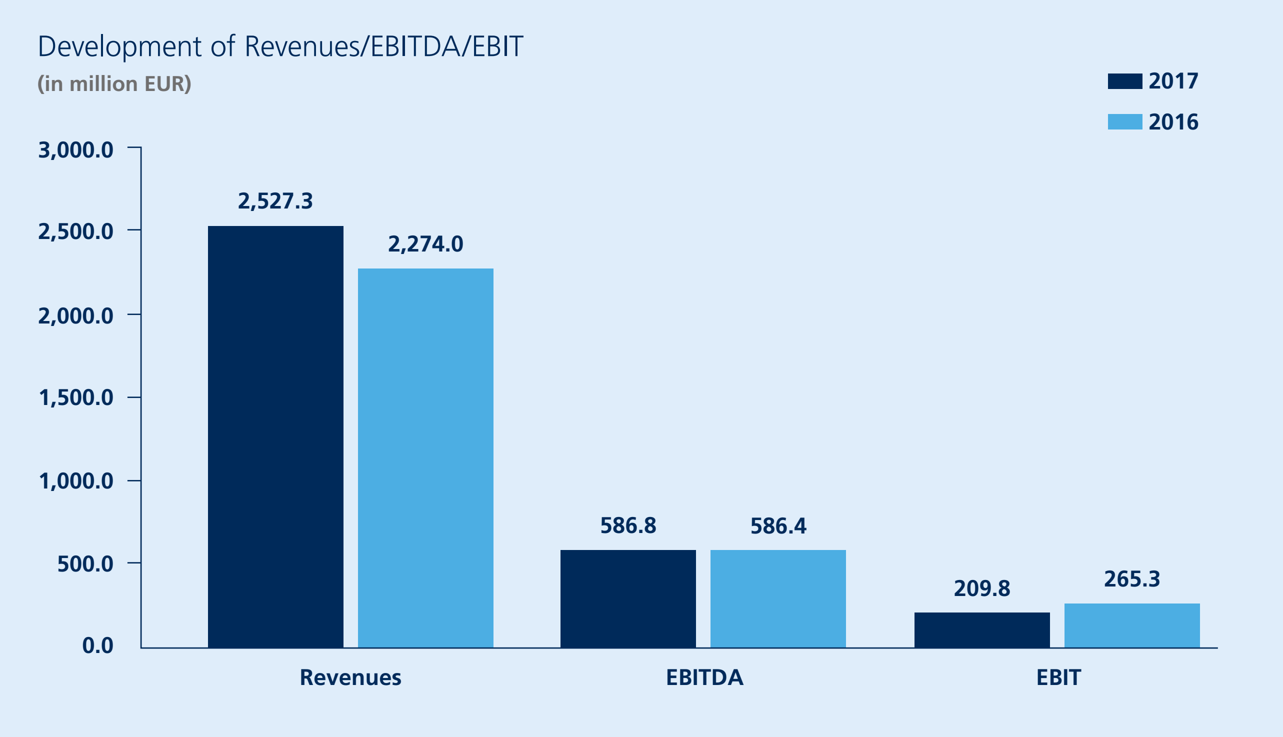
Personnel costs in the NOVOMATIC Group came in at EUR 763.7 million in the year under review, compared to EUR 668.4 million in the previous year. The increase is mainly attributable to the numerous acquisitions of the recent past, with the acquisition of Casino Royal GmbH in Germany in 2017 being highlighted in particular. Personnel costs also saw an increase at LÖWEN ENTERTAINMENT GmbH in Germany. As a result of the preproduction of gaming devices in connection with the new technical directive 5.0, a temporary increase in production capacity was required. The increase in personnel costs in the Group also reflects the additional level of activity in the area of research and development. In particular, the newly acquired Polish company ATSI S.A. specializes in intercompany development and programming activities.

Other operating expenses (excluding gaming taxes) increased to EUR 884.6 million, compared to EUR 748.3 million during the previous year. This increase is connected to the expansion of business activities and stem mainly from the countries in which there was a high level of acquisition activity (in particular of gaming arcade operators). The biggest increases stem from rental, lease and operating expenses, up EUR 40.1 million over the previous year.

However, the increase in other operating expenses is also attributable to numerous one-time effects, which in 2017 contributed to a very strong deterioration in the earnings situation. The exchange losses amounted to EUR 27.1 million in the past year, a year-on-year increase of EUR 23.4 million. The foreign currency losses are linked to the weakening of the US Dollar and affect in particular NOVOMATIC Gaming Industries GmbH (NGI) and stem from the operating business and from the measurement of open forward contracts serving to hedge foreign exchange.

Other operating expenses also include expenses for the formation of a provision for impending losses for orders of the NOVOMATIC Lottery Solutions Group in the amount of EUR 23.9 million.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 586.8 million, compared to EUR 586.4 million in 2016. The operating profit (EBIT) decreased from EUR 265.3 million in 2016 to EUR 209.8 million in the year under review due to higher plannend and extraordinary depreciation and amortization. The increase in scheduled depreciation and amortization from EUR 296.4 million to EUR 331.0 million is mainly attributable to the companies acquired recently. Extraordinary depreciation and amortization increased by around EUR 22.4 million to EUR 55.7 million, compared to the same period last year. In addition to impairments in accordance with IAS 36 at the German companies due to changes in the regulatory framework conditions, an impairment requirement was determined for individual companies of the NOVOMATIC Lottery Solutions Group, which contributed significantly to this increase.




EBITDA and EBIT constitute key performance indicators that are not defined in the International Financial Reporting Standards (IFRS). They serve as a way for the management of NOVOMATIC to measure and control the Group's economic success and profitability. At NOVOMATIC, the EBIT key performance indicator refers to the operating profit as presented in the consolidated income statement. The EBITDA key performance indicator is calculated by taking the operating profit (EBIT) and adjusting it for the depreciation and amortization of intangible assets, and property, plant and equipment.

At EUR -21.5 million, the financial result came in above the previous year's level of EUR -34.6 million. The increase is mainly due to higher income from financial investments in 2017.

Tax expenses increased from EUR 75.0 million to EUR 102.1 million in the year under review. The main reasons for this increase are higher unused tax losses not recognized as deferred tax assets (and offsetting options) and the increase in tax payments at an Italian subsidiary.

Net income from continuing business segments decreased from EUR 155.7 million in the previous year to EUR 86.2 million in 2017.

The result of the discontinued business operations declined from EUR 0.7 million in 2016 to EUR -24.8 million in the year under review. This position includes the I-New Group, which was presented in the consolidated financial statements for 2017 as "assets held for sale" (sale group). Significant reasons for the deterioration in earnings are the decline in revenue from new projects, valuation adjustments on receivables and impairments in accordance with IAS 36.

Group net income decreased from EUR 156.4 million in the previous year to EUR 61.4 million in 2017.

## Net Assets

The balance sheet total amounting to EUR 4,099.7 million as of December 31, 2017 rose by EUR 413.8 million compared to the figure of December 31, 2016. In terms of non-current assets, intangible assets increased by EUR 159.0 million to EUR 881.4 million. The increase was mainly related to licenses and concessions (up EUR 109.3 million) and is in large parts due to the newly acquired companies in Germany (Casino Royal) and Spain (Basque Gaming and several smaller companies). A further cause behind the increase in goodwill (up EUR 88.9 million), results from the recently acquired companies in the markets of Germany, Spain, the Netherlands and Italy.

Property, plant and equipment increased from EUR 953.3 million in the previous year to EUR 1,041.7 million. The deviation largely results from prepayments made and assets under construction, with an increase of EUR 83.7 million. This increase has its origins in the investments of established German companies and reflects the pre-production of gaming terminals for the conversion of all gaming terminals in Germany to the new technical guideline 5.0 in November 2018.

The financial assets position mainly comprises minority interests in Austrian gaming companies (Österreichische Lotterien GmbH and Casinos Austria AG). In the year under review, this item increased from EUR 237.8 million to EUR 271.2 million due to the revaluation of the shares (with no effect on income).

With regards to current assets, inventories increased by EUR 42.6 million to EUR 268.1 million, with the increase stemming primarily from Germany and Spain. Trade receivables, other receivables and assets increased by EUR 36.2 million to EUR 408.7 million, compared to the previous year.

Cash and cash equivalents rose slightly from EUR 877.8 million to EUR 899.7 million. Assets held for sale amount to EUR 20.4 million and comprise the I-New Group.

### BALANCE SHEET

**Condensed Version**

| in million EUR | 2017 | 2016 | Difference in % |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets | 2,446.1 | 2,144.8 | 14.0 % |
| Current assets | 1,653.6 | 1,541.1 | 7.3 % |
| **Balance sheet total** | **4,099.7** | 3,685.9 | **11.2 %** |
| **PASSIVA** | | | |
| Equity | 1,328.9 | 1,376.2 | -3.4 % |
| Non-current liabilities | 2,098.2 | 1,590.3 | 31.9 % |
| Current liabilities | 672.6 | 719.4 | -6.5 % |
| **Balance sheet total** | **4,099.7** | 3,685.9 | **11.2 %** |

During the reporting period, equity decreased by EUR 47.3 million to EUR 1,328.9 million, of which EUR 91.4 million consisted of other shareholders' shares. The company's issued capital remained unchanged at EUR 26.6 million. The same applies to additional paid-in capital, which amounted to EUR 85.4 million. In addition to this, equity is comprised of reserves amounting to EUR 1,169.0 million, the revaluation reserve as per IAS 39 amounting to EUR 23.3 million and the currency translation adjustment amounting to EUR -66.8 million.

The increase in non-current liabilities is mainly attributable to the increase in bank credit and loans, which increased by EUR 435.0 million to EUR 878.1 million in the fiscal year. In March 2017, NOVOMATIC AG concluded a revolving credit line for the amount of EUR 1 billion with a term of 5 years (with the option of prolonging for up to two years). This credit line was concluded with a syndicate of international banks, serving on the one hand to harmonize and refinance existing credit lines and, on the other, for general financing needs of the company, including company acquisitions.

Non-current provisions increased by EUR 17.7 million to EUR 83.8 million, with this development being largely attributable to the creation of a provision for impending losses for orders of the NOVOMATIC Lottery Solutions Group.

Current liabilities decreased compared to the previous year due to the significant decline in current financial liabilities, which amounted to EUR 70.7 million at the end of the year under review, compared to EUR 210.8 million in 2016. The most important reason for this change is a bond issued in 2017 (issue volume EUR 150 million), which was supposed to be reported as current in the 2016 balance sheet due to the maturity in October 2017.

Trade payables and other liabilities increased by EUR 41.4 million to EUR 447.4 million, compared to the previous year. This also includes the liabilities from assets held for sale, which amount to EUR 16.2 million and comprise the I-New Group.

## Financial Position

Across the Group, cash flow from operating activities totaled EUR 419.2 million in 2017, compared to EUR 429.1 million the previous year. The slight decline in operating cash flow is primarily attributable to the lower operating profit in the year under review. Compared to 2016, cash flow from operating activities was positively influenced by a lower cash outflow from the change in net working capital. While a rise in inventories had a negative impact on cash flow, increase in liabilities and provisions (including in connection with the NOVOMATIC Lottery Solutions Group) led to an improvement in operating cash flow.

Cash flow from investment activities improved marginally to EUR -516.7 million in the year under review, while the same figure for 2016 amounted to EUR -519.5 million. The position "Acquisition of intangible assets and property, plant and equipment" saw higher cash outflows, resulting particularly from the pre-production of gaming terminals in the German market. Overall, there were no significant changes against the previous year in the area of acquisitions.

Cash flow from financing activities amounted to EUR 109.6 million during the year under review, a considerable drop over the previous year's value of EUR 474.0 million. In the previous year, the issue of a bond with a total volume of EUR 500.0 million and a capital increase of EUR 85 million led to a significant increase in cash and cash equivalents. In 2017, the cash flow from financing activities was reduced by the repayment of a bond with an issue volume of EUR 150 million, while the utilization of a credit line positively influenced the cash flow.

## Free Cash Flow

NOVOMATIC reports "Free cash flow before acquisitions" as an additional liquidity KPI to "Free cash flow after acquisitions". Both constitute key performance indicators that are not defined in the International Financial Reporting Standards (IFRS). They serve as an indicator to the management of internal financing strength and describe the ability of the Company to pay dividends, service debt and make investments from ongoing cash inflows.

Free cash flow before acquisitions is defined as cash flow from operating activities plus cash inflows or cash outflows from the acquisition as well as the sale of intangible assets and property, plant and equipment. Free cash flow after acquisitions is defined as cash flow from operating activities plus cash flow from investing activities.

Free cash flow before acquisitions is positive and comes to EUR 53.0 million against EUR 90.0 million in the first half of 2016. Free cash flow after acquisitions improved over the previous year's level from EUR -90.5 million to EUR -97.5 million as a result of lower cash outflows for company acquisitions.



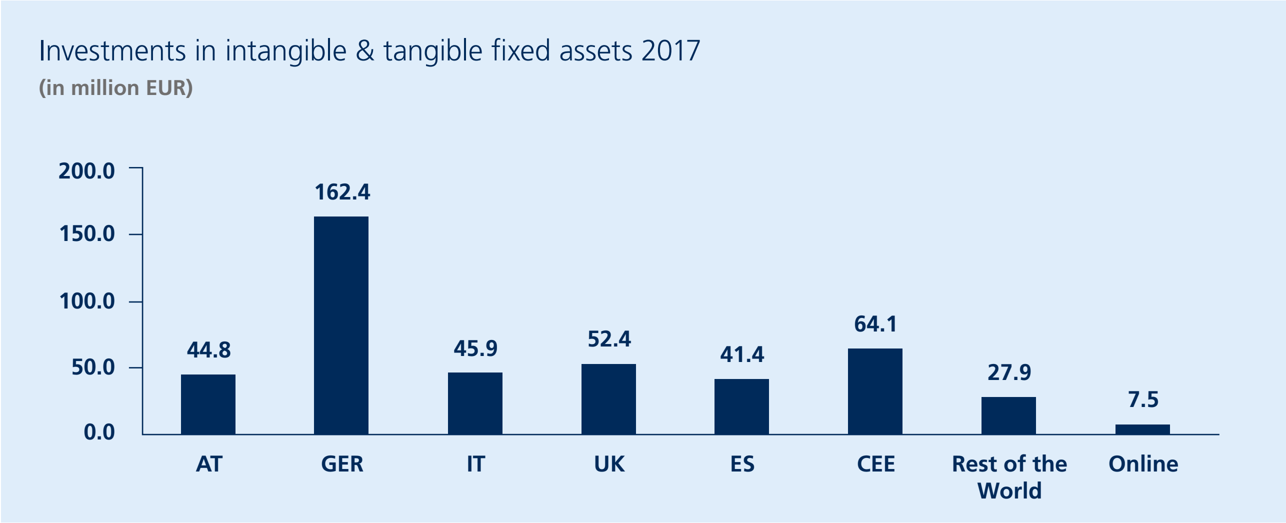


| in milion EUR | 2017 | 2016 | Difference in % |
|---|---|---|---|
| Cash flow from operating activities | 419.2 | 429.1 | -2.3 % |
| Cash Flow from investing activities (excl. acquisitions)[5] | -366.2 | -339.1 | -8.0 % |
| Free cash flow before acquisitions | 53.0 | 90.0 | -41.1 % |
| Cash flow from acquistions[6] | -150.5 | -180.4 | 16.6 % |
| Free cash flow after acquisitions | -97.5 | -90.5 | -7.8 % |

## Investments in Intangible Assets, and Property, Plant and Equipment

Investments in intangible assets, and property, plant and equipment came to a total of EUR 446.4 million in 2017. The largest share of investments in property, plant and equipment was in gaming devices, manufactured mostly in-house.

Broken down by regions, the largest investments were in the German market with EUR 162.4 million, followed by the CEE region with EUR 64.1 million.

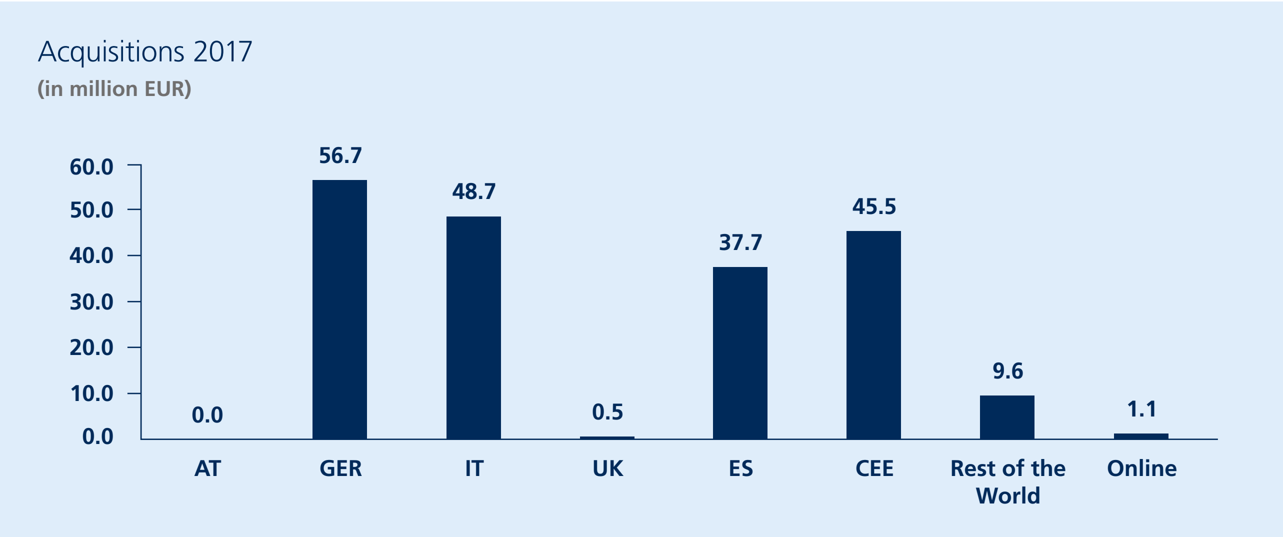



[5] Includes income from the sale of fixed assets excluding financial assets (EUR 80.2 million in 2017) and acquisition of intangible assets and property, plant and equipment (EUR -447.6 million in 2017)

[6] Includes results from associated companies and investments (EUR 15.6 million in 2017), proceeds from the sale/repayment of financial assets (EUR 25.0 million in 2017), proceeds from the sale of consolidated companies less cash and cash equivalents (EUR 36.8 million in 2017), acquisition of financial assets and other financial investments (EUR -28.2 million in 2017) and acquisitions of companies less cash and cash equivalents (EUR -198.6 million in 2017)

## Acquisitions (strategic & bolt-on)

Acquisitions came to a total of EUR 199.8 million in 2017. The largest acquisitions were in the German market with EUR 56.7 million, particularly as a result of Casino Royal, followed by the Italian market with EUR 48.7 million and the CEE region with EUR 45.5 million.




## Selected Group Key Figures

| | 2017 | 2016 |
|---|---|---|
| Equity ratio (equity/balance sheet total) | 32.4 % | 37.3 % |
| Return on equity (parent company shareholder result/equity capital) | 4.4 % | 10.9 % |
| Return on assets (annual profit + interest cost)/balance sheet total | 2.5 % | 5.3 % |
| Working Capital (current assets - current liabilities) in million EUR | 981.1 | 821.7 |
| Net debt (non-current financial liabilities + current financial liabilities – cash and cash equivalents) in million EUR | 1,000.0 | 728.1 |
| Net debt to EBITDA (net debt/EBITDA) | 1.7 | 1.2 |
| Interest coverage ratio (EBIT/interest expense) | 5.1 | 7.0 |
| Asset coverage (equity capital/non-current assets) | 54.3 % | 64.2 % |





# 4. Segment Analysis

## 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 includes the I-New Group, as well as smaller holding companies.

## Gaming Technology

External revenues in the Gaming Technology segment amounted to EUR 937.2 million in the reporting period, representing a slight decrease compared to the previous year's level of EUR 947.3 million.

The segment result (operating result) in the area of Gaming Technology declined from EUR 185.1 million to EUR 110.6 million. The decline is the result of several factors. In addition to the reduction in leased equipment in Germany, these factors included, in particular, a deterioration in the results of operations of the NOVOMATIC Lottery Solutions Group and foreign exchange losses associated with a weakening of the US dollar.

**Germany**

The First State Treaty amending the State Treaty on Gaming (Glücksspieländerungsstaatsvertrag, GlüÄndStV) in Germany, NOVOMATIC's most important market, came into effect on July 1, 2012, and largely comprises the establishment of distance regulations between slot 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 5 years was granted to implement the restrictive new regulations, which means that the provisions were applicable from July 1, 2017. As a result of the implementation of the State Treaty on Gaming Law and the accompanying state laws on gaming arcades, a noticeable market reduction has occurred since 2017 in the slot arcade sector. Slot arcades to be downscaled or closed will 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. 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 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 more than 50 percent of the market for commercial gaming devices. In light of the stricter regulatory framework, however, the number of rented gaming machines decreased during the reporting period by around 11,000 gaming terminals to some 102,000 units. In total, the German companies active in the Gaming Technology segment achieved revenues of EUR 285.7 million against EUR 317.5 million in 2016.

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 not be operated in the future. 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 necessary replacement investments, extraordinary costs of an amount in the single-digit million range were incurred due to the preparatory work for the legally required conversion of all gaming terminals in Germany.

**Italy**

With more than 400,000 operated gaming machines, Italy is Europe's largest gaming market. NOVOMATIC is one of the very few foreign companies that have been successful not only in establishing a presence in this highly competitive market but also in claiming a sustainable market share.

The company acquired by NOVOMATIC in 2016, Electro System S.p.A., a developer and manufacturer of CPUs for gaming devices, benefited in the previous year from a change in the law in Italy that made it necessary to convert certain gaming devices (AWPs). As a result, it was possible to generate extraordinarily high sales revenues with CPU platforms in 2016, which could not be achieved to the same level in 2017.

The resulting decline in sales revenues in 2017 could only be partially offset by increased rental income. The Italian companies were able to increase the number of leased gaming devices by around 1,500 devices to over 45,000 units in a year-on-year comparison. However, the increase in rental revenues was stemmed by a further hike in gaming-related taxes. In May 2017, taxes for networked gaming devices (VLT category) rose from 5.5 percent to 6.0 percent, and for non-networked gaming devices (AWP category) from 17.5 percent to 19.0 percent.

The Italian government has also decided that by April 2018, the number of all AWP appliances operating in the Italian market will have to be reduced by 35 percent. The change in the law is considered by NOVOMATIC to be immaterial, as it primarily affects those devices which have a poor performance, and this does not generally include NOVOMATIC gaming terminals.

Revenues of the Italian companies falling into the Gaming Technology segment reached a level of EUR 202.0 million in 2017, compared to EUR 205.5 million in the previous year.

**United Kingdom**

The British market is one of the largest gaming markets in Europe and includes approximately 250,000 gaming machines, which are mostly located in pubs, licensed betting offices, gaming facilities and bingo centers. Due to the highly mature nature of the market, the potential for a further increase in the number of gaming machines operated is limited. The market is rather moving towards a state of consolidation. In particular, 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.

The pub sector is also undergoing a period of change. Analog gaming devices, such as the ones produced by Bell-Fruit, a Group company of NOVOMATIC, are increasingly being replaced by digital devices, meaning that sales revenues in this area were also lower.

From a regulatory point of view, the pub sector, as well as adult gaming centers (i.e. slot arcades), could benefit from the currently ongoing triennial review. This is a review that takes place (generally) every three years in which the maximum stakes and winnings of different categories of gaming machines are redefined by the legislator. From today's point of view, it can be assumed that gaming terminals in the pub sector and in slot arcades will benefit from this regulatory change, while terminals that are mainly used in so-called licensed betting offices will be in a worse position.

Revenues of the companies in the United Kingdom falling into the Gaming Technology segment reached a level of EUR 115.9 million in 2017, compared to EUR 136.1 million in the previous year.

**Spain**

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

In 2017, an impairment test was carried out on the assets of the Spanish subsidiaries. An impairment loss of approximately EUR 5 million was identified for GIGAMES S.L., a Spanish production and distribution company operating particularly in the area of placing gaming terminals in bars. The write-off relates to the client base (in intangible assets).

Revenues of the companies in Spain falling into the Gaming Technology segment reached a level of EUR 53.3 million in the past fiscal year, compared to EUR 45.4 million in 2016.

**CEE**

A 15-year partnership entered into with Loteria Romana provides for NOVOMATIC 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 2017, NOVOMATIC had already placed approximately 5,400 VLTs.

Sales revenues of the companies of the CEE region falling under the Gaming Technology segment showed a positive development in the 2017 fiscal year and reached a value of EUR 65.9 million, compared to EUR 56.5 million in 2016.

**Rest of the World**

Revenues of the companies falling under the Gaming Technology segment in the Rest of the World region showed a slightly positive development in the past fiscal year. Due to higher rental income, revenues increased from EUR 68.7 million in 2016 to EUR 70.7 million in the year under review.

**Online (B2B)**

This segment comprises all companies of the NOVOMATIC Group allocated to the area of online and mobile gaming (B2B). This primarily relates to the Greentube Group, an internationally leading content provider of online games, which are offered to licensed operators of gaming platforms both as social games (with no payout of winnings) and as cash games (regular gaming with 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 2017, revenues of the online companies of the NOVOMATIC Group allocated to the B2B area increased by EUR 48.5 million to EUR 65.6 million. The increase in e-business revenues is mainly due to an increase in B2B customers.

In December 2017, the company's management decided to end the distribution of games and platform solutions due to an unclear legal situation in an important core market. As a consequence of this decision and the resulting termination of B2B contracts with customers, a significant decline in sales revenues in 2018 is expected.

## Gaming Operations

External revenues in the Gaming Operations segment amounted to EUR 1,587.2 million in the year under review, representing a slight increase in comparison to the previous year (EUR 1,326.4 million).

The segment result (operating result) of Gaming Operations declined from EUR 101.3 million to EUR 97.3 million. The decline resulted from higher extraordinary depreciation in Germany, Italy and Spain. Another reason is the increase in other expenses (in particular rental expenses as well as gaming taxes and betting fees) as well as much higher depreciation due to investments in new locations.

**Austria**

Revenues of all Austrian gaming and betting companies of the NOVOMATIC Group reached a level of EUR 257.7 million in 2017, compared to EUR 230.6 million in the previous year. The increase is due both to higher gaming machine revenues and higher betting revenues. Negative factors here include newly introduced fees on betting terminals, which led to a sharp rise in betting fees in the provinces of Vienna and Upper Austria.

In respect of the legal discussions going on for several years as to whether the Austrian Gaming Act and the corresponding provisions are consistent with EU law, the three highest courts in Austria have all confirmed conformity with EU law. As a result of the final answer to this legal issue, there has now been a clear improvement in the possibilities for the authorities and courts to act against illegal gaming operators in Austria.

With the final decision of the Provincial Administrative Court of Lower Austria of July 21, 2017, the Group company ADMIRAL Casinos & Entertainment AG (ADMIRAL) has now secured its operations in Lower Austria on a permanent basis. ADMIRAL can operate 1,165 gaming terminals in the Lower Austrian slot arcades for a duration of 15 years, thus until July 21, 2032.

In an individual case decision delivered in 2017, the Supreme Court (OGH) found that some of the game variants offered by NOVOMATIC in the state of Vienna were not covered by the concession issued. This decision could lead to a further round of legal actions by customers demanding back their losses incurred in the corresponding period. In respect of the ongoing pending proceedings, a provision of an amount in the single digit million range was formed.

**Germany**

The NOVOMATIC Group has seven casinos in Germany. With the venerable Spielbank Berlin, NOVOMATIC operates one of the highest revenue generating live casinos in Germany. In 2017, NOVOMATIC's German casinos were able to increase revenues from EUR 72.7 million to EUR 80.3 million.

However, a much larger portion of sales revenues in the German market is generated by the operating companies in the area of commercial electronic gaming. NOVOMATIC already had a strong market position with the slot arcade operators Extra Games Entertainment GmbH, BPA Freizeit und Unterhaltungsbetriebe GmbH and Admiral Play GmbH. In March 2017, NOVOMATIC also acquired 100 percent of the shares in Casino Royal GmbH, Germany. The acquired company and its 10 subsidiaries operate a total of 126 gaming arcades with a regional focus on North Rhine-Westphalia, Lower Saxony and Rhineland-Palatinate. Furthermore, several acquisitions of smaller companies have been made since last year. In summary, revenues of the German Group companies allocated to the area of commercial electronic gaming increased from EUR 266.7 million to EUR 356.4 million in the same period of the previous year.

The First State Treaty amending the State Treaty on Gaming (Glücksspieländerungsstaatsvertrag, GlüÄndStV) came into effect on July 1, 2012, and sets out the rules on the establishment of distance regulations between slot arcades and youth facilities. It also contains a ban on multiple concessions and therefore limits one location to a maximum of twelve gaming terminals. 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. As a result of the implementation of the State Treaty on Gaming Law and the accompanying state laws on gaming arcades, a noticeable market reduction has occurred since 2017 in the slot arcade sector. Slot arcades run by German operating companies to be downscaled or closed will inevitably have a negative impact on sales revenues. 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. 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.

As in previous years, impairment tests were carried out in 2017 for the assets of the German operating companies. An impairment loss of EUR 14.5 million (net of impairments and write-ups) was identified as a result of the regulatory changes.

**Italy**

Measured by the number of operated gaming machines, Italy is Europe's largest gaming market. In this key European market, NOVOMATIC has been successfully implementing its integrated market strategy as a producer of gaming products and operator of gaming facilities for several years.

During the 2016 and 2017 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. The revenues of the Italian Group companies falling into the Gaming Operations segment increased once again thanks to both organic and acquisition-driven growth, reaching a level of EUR 150.5 million, compared to EUR 111.4 million in the previous year.

**United Kingdom**

After NOVOMATIC succeeded in entering the British market for slot arcades (adult gaming centers or AGCs) with the acquisition of Luxury Leisure Unlimited and S.A.L. Leisure Limited in June 2014, the Group acquired 100 percent of the shares in Talarius Ltd. (Talarius) as well as its associated subsidiaries in June 2016. Around 160 new locations were added to the Group of Companies through the acquisition of Talarius, which made a significant contribution to enabling the British companies falling into the Gaming Operations segment to see revenues rise by EUR 30.7 million to EUR 149.1 million in 2017.

**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 51 percent of the shares in Basque Gaming S.L., a company that operates a total of 13 slot arcades in the Basque Country, and several acquisitions of smaller arcade companies, this development continued.

In July 2016, NOVOMATIC opened the Gran Casino San Roque north of Gibraltar. Almost at the same time, NOVOMATIC acquired another casino in Spain, the Gran Casino Aljarafe in Seville.

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 73.1 million, compared to EUR 35.0 million in the previous year.

**CEE**

The geographical segment CEE comprises the regions of Central, Eastern and South-Eastern Europe. The companies falling into the Gaming Operations segment within the regions of CEE were able to achieve a very satisfactory business development again during the 2017 fiscal year.

In October 2017, the Grand Casino ADMIRAL opened in Zagreb, Croatia. The site has 318 gaming terminals and more than 20 live gaming tables over a total area of approximately 3,000 square feet. In addition to a restaurant, seminar rooms and a sports bar with state-of-the-art technology, the site also offers a four-star hotel.

In summary, the companies falling into this segment saw an increase in revenues of EUR 33.4 million to EUR 330.4 million. This increase is primarily the result of organic growth and was mainly generated in the markets of Latvia, Croatia, Serbia and Macedonia.

**Rest of the World**

The Dutch companies listed in the Rest of the World geographical segment focusing on slot arcade operations showed a positive development in the year under review. In March 2017, 100 percent of the shares in Super Game B.V. and Biermann's Bingo B.V., the Netherlands, were acquired. The two acquired companies operate a total of seven arcades and contributed significantly to the increase in sales in the Netherlands. Overall, revenues of the Dutch Group companies falling into the Gaming Operations segment increased from EUR 64.4 million in the previous year to EUR 71.7 million in 2017.

In 2017, the Peruvian subsidiaries Inmobiliaria Rapid S.A.C. and Sierra Machines S.A.C. were sold for strategic reasons. The purpose of business of both companies is the operation of slot arcades. The NOVOMATIC Consolidated Financial Statement shows a selling profit of EUR 9.4 million, which is reported under other operating income.

**Online (B2C)**

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

The Greentube Group belonging to the NOVOMATIC Group, as well as other companies in Italy and Latvia belonging to the Group, were able to increase revenues slightly in the Gaming Operations segment to EUR 101.5 million in 2017, compared to EUR 100.3 million in the previous year.

## Assets held for sale (I-New Group)

In 2013, NOVOMATIC AG acquired approximately 76.8 percent of the shares in I-New Group. The company consists of the Austrian I-New Unified Mobile Solutions AG headquartered in Mattersburg and its international subsidiaries.

In the 2017 fiscal year, it emerged that quality defects and delays caused by suppliers will lead to the considerably delayed completion of a major expansion stage of the technology solution offered by I-New.

While the revenues from multi-year business contracts showed a stable development (EUR 11.9 million in 2015, EUR 12.3 million in 2016 and EUR 12.0 million in 2017), there was a drop in sales from project new business in the amount of around 80 percent (EUR 7.6 million in 2016, compared to EUR 1.3 million in 2017) due to the aforementioned delays. In Q4 2017, the developmental backlog was considered overcome.

Due to the loss of revenues from planned new projects, the I-New Group faced an unexpected liquidity shortage in Q2 2017, thus necessitating not only the initiation of a comprehensive operational restructuring process but also the carrying out of an impairment test in accordance with IAS 36 in the context of the half-yearly financial reporting. The latter led to an impairment of goodwill and other intangible assets totaling EUR 12.4 million.

The business environment of I-New in Latin America was characterized by increasingly fierce competition among MVNO customers in Mexico and Colombia along with challenging economic conditions in Peru. The resulting consequence was a bad debt allowance of EUR 5.8 million. The reasons for this allowance included a contract renegotiation with an existing customer and a debt waiver as a result of a change of ownership.

In November 2017, the strategic decision was made to sell the majority stake in I-New Group, as a result of which a structured sales process was started. According to current estimates, the signing of the sale of shares is expected in the second half of 2018.

Based on the current situation, the classification, presentation and measurement provisions of IFRS 5 were applied, meaning that the I-New Group was presented in the 2017 Consolidated Financial statement as "assets held for sale" (sale group).

## Important Key Figures

**Leased gaming devices to third parties**

| Number at the end of the period | Austria | Germany | Italy | United Kingdom | Spain | CEE | Rest of the World | Group |
|---|---|---|---|---|---|---|---|---|
| 12/2016 | 1,704 | 113,281 | 43,841 | 23,659 | 3,572 | 12,136 | 2,579 | 200,772 |
| 12/2017 | 1,489 | 102,195 | 45,406 | 21,923 | 3,891 | 13,140 | 2,860 | 190,904 |

**Self-operated gaming devices**

| Number at the end of the period | Austria | Germany | Italy | United Kingdom | Spain | CEE | Rest of the World | Group |
|---|---|---|---|---|---|---|---|---|
| 12/2016 | 2,387 | 11,073 | 5,537 | 15,756 | 1,766 | 17,167 | 6,681 | 60,367 |
| 12/2017 | 2,234 | 13,320 | 7,776 | 16,567 | 3,092 | 17,337 | 4,779 | 65,105 |

**Gaming devices sold to third parties**

| Number at the end of the period | Group |
|---|---|
| 12/2016 | 30,430 |
| 12/2017 | 28,720 |

## 5. Individual Financial Statement of NOVOMATIC AG (Condensed Version in Accordance with the Austrian Commercial Code (UGB))

The following includes a discussion of the development of NOVOMATIC AG as a supplement to the reporting on the NOVOMATIC Group.

The annual financial statement (individual financial statement) of NOVOMATIC AG is prepared according to the accounting and valuation principles of the Austrian Commercial Code (UGB). According to these regulations, the affiliated companies are identified as part of the financial assets. As such, the individual financial statement only provides an excerpt of the economic situation of NOVOMATIC AG and its affiliated companies.

NOVOMATIC AG is the holding company of the NOVOMATIC Group, which performs the financing and controlling function for the Group. In addition to this role, NOVOMATIC AG is also the owner of the majority of the NOVOMATIC Group's intellectual property rights as well as of a significant share of the Group's property portfolio in Austria.

During the reporting period, NOVOMATIC AG had no subsidiaries registered in the commercial register.

### Earnings Position

During the past financial year, NOVOMATIC AG's sales revenue amounted to EUR 78.5 million, remaining almost unchanged against the previous year.

Personnel costs came in at EUR 5.3 million, down from EUR 7.4 million in 2016.

Other operating expenses increased in the year under review from EUR 74.2 million to EUR 82.4 million. This rise is primarily attributable to an increase of EUR 8.5 million in R&D costs in 2017.

Depreciation and amortization fell in the 2017 fiscal year from EUR 25.0 million to EUR 14.0 million primarily as a result of lower extraordinary write-downs and a decline in the amortization of technical software. Operating profit (EBIT) came in at EUR 67.9 million, up from EUR 40.5 million in the previous year. EBITDA (the total of EBIT and depreciation and amortization) increased from EUR 65.5 million to EUR 82.0 million in 2017.

The financial result increased from EUR 28.9 million in the previous year to EUR 43.8 million. While investment income rose sharply, expenses from financial assets and securities held as current assets also increased (particularly as a result of the I-New Group and the NOVOMATIC Lottery Solutions Group).

After the addition of income taxes amounting to EUR 6.3 million, taking the Group taxation into consideration, net profit for the year was EUR 16.4 million compared to EUR 9.3 million in 2016.

[7] The definition of EBIT differs in the Individual Financial Statement of NOVOMATIC AG from that of the Consolidated Financial Statement of NOVOMATIC AG. In the Individual Financial Statement, EBIT is calculated in accordance with KFS/BW3 from earnings before taxes plus interest and similar expenses in accordance with Sec. 231 para. 2 sentence 15 and para. 3 sentence 14 of the Austrian Commercial Code (UGB).

### Net Assets

Fixed assets increased from EUR 1,430.6 million in the previous year to a total of EUR 1,474.0 million. This change was largely attributable to increases in the area of financial assets.

Current assets increased from EUR 527.4 million in the previous year to EUR 716.1 million, mainly due to higher receivables from affiliated companies.

The company's equity capital remained unchanged at EUR 26.6 million. The same applies to capital reserves of EUR 85.4 million. With retained earnings of EUR 1.6 million and a balance sheet profit of EUR 77.5 million being taken into consideration, equity decreased due to a disbursement of EUR 50 million from EUR 224.8 million in 2016 to EUR 191.2 million. Equity's share of total capital now amounts to 8.7 percent, compared to 11.4 percent in the previous year.

While provisions increased slightly from EUR 16.3 million to EUR 22.6 million, liabilities showed a significant increase. Liabilities due to credit institutions rose from EUR 446.2 million to EUR 882.7 million. Bond liabilities declined due to the repayment of a bond (issue volume of EUR 150 million) in October 2017.

During the past financial year, NOVOMATIC AG's balance sheet total increased from EUR 1.975.0 million to EUR 2,198.2 million.

## 6. Non-Financial Performance Indicators

Regarding the reporting of consolidated non-financial performance indicators, reference is made to the consolidated non-financial report of NOVOMATIC AG according to the Sustainability and Diversity Improvement Act (NaDiVeG), which is separate from the Consolidated Financial Statement.

## 7. Prospective Development of the Group

In its latest analysis, the International Monetary Fund (IMF) assumes a global growth rate of 3.9 percent[8] for 2018. Analysts at GBGC[9] also expect a similar trend, forecasting an increase in global gaming expenditures of 3.4 percent in 2018. For the combined gaming market of Europe/Africa, the experts of GBGC expect an increase of 3.9 percent for 2018.

NOVOMATIC has pursued a growth strategy in recent years aimed at occupying market leadership positions in large, regulated gaming markets. For the 2018 fiscal year, expansion investments and acquisitions are planned to be carried out to a much lesser extent than recently. The focus will increasingly be on consolidating growth and increasing synergies.

Despite this phase of consolidation, a further increase in sales is expected in 2018 as well. The largest share of this development is attributed to Ainsworth Game Technology Ltd. (Ainsworth). The acquisition of around 52 percent of the shares in Ainsworth, signed in 2016 and for which closing had not yet been performed due to formal approval requirements of various international licensing and regulatory bodies, was finally completed in January 2018. The acquisition represents another milestone in the corporate history of NOVOMATIC and is of major strategic importance as it paves the way to access the enormously important North American market, a region with almost one million operated gaming machines. Ainsworth is also a market leader in Australia and has a strong presence in the Latin American market. The agreed purchase price is AUD 473.3 million.

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. For the major European gaming markets, it can be assumed that the regulatory environment will continue to be challenging in the future.

[8] According to the World Economic Outlook provided by the International Monetary Fund (IMF)

[9] Global Gambling Report by GBGC

In Germany, as of July 1, 2017, the provisions of the German State Treaty on Gaming and the accompanying state laws on gaming arcades were to be applied for the first time. As a consequence of this, 2017 saw a noticeable decrease in the size of the market in the slot arcade sector. Slot arcades to be downscaled or closed will inevitably have a negative impact on sales revenues from the rental and operation 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. 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. A continuation of this development is expected in 2018.

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 not be operated in the future. As a result, from November 11, 2018, only devices that correspond to the new technical directive 5.0 may be operated. The German subsidiaries have already been working for a while to develop attractive products that can be made available to customers promptly upon expiration of the transitional period of the Gaming Ordinance. In addition to the necessary replacement investments, extraordinary costs in the double-digit million range are expected in 2018 due to the preparatory work for the legally required conversion of all gaming terminals in Germany.

As of January 1, 2018, the merger of the German production companies Crown Technologies GmbH and Hirscher Moneysystems GmbH into LÖWEN ENTERTAINMENT GmbH will be completed. By integrating these companies, further synergies in terms of cost efficiency, optimization of production processes and utilization of production capacities are expected.

In the core market of Italy, a further increase in sales revenue is expected in 2018. The most recently acquired slot arcade locations have played a major role in this development.

In the major European gaming markets of the United Kingdom and Spain, a further increase in sales revenues is expected, especially from the recent acquisitions in Spain. In both markets, this increase is mainly due to the developments in the Gaming Operations segment.

In the regions of Central and Eastern Europe (CEE) and South-Eastern Europe (SEE), rising revenues are expected. The increase is primarily attributable to the Gaming Operations segment, which is supported by a large number of countries in this region.

For the 2018 fiscal year, the NOVOMATIC Group companies active in the area of online gaming are likely to be confronted with significant revenue loss. The Gaming Technology (B2B) segment will be particularly affected by the distribution of games and platform solutions, as the company has withdrawn from an important core market due to an unclear legal situation. In the other areas, further organic growth can be assumed. The growth drivers here are the ongoing expansion of the gaming portfolio, realignment of the social casino segment and the continuation of geographical expansion.

## 8. 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 as well as 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 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, 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.

Central Group risk management, which is assigned to the internal audit department, monitors implementation of the defined countermeasures and reports regularly to the Executive Board regarding the current risk situation.

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

The predominant objective of the accounting-related internal control system at NOVOMATIC is to ensure the correctness of financial reporting by verifying that the consolidated financial statement and the management report comply with all relevant regulations. As a guide for this process, the internal control system at NOVOMATIC relies on the comprehensive enterprise risk management approach developed by the COSO (Committee of Sponsoring Organizations of the Treadway Commission).

**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**

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 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.

**Control Activities**

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 itself 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. The Group's auditing department has documented all financial reporting processes as part of the internal control system and has monitored compliance with the defined controls at regular intervals.

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.

## 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 values-based and lawful behavior during day-to-day business activities. This Code of Conduct also provides the basis for training activities related to integrity and compliance. Depending on the risk and the target group, training sessions requiring personal attendance, as well as web-based training events, are held. 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 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 asset, financial and earnings positions of the NOVOMATIC Group.

**Expansion into new markets or product and/or service areas may be unsuccessful and the success of the strategy pursued by the NOVOMATIC Group is uncertain**

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.

**The NOVOMATIC Group is subject to risks related to completed, ongoing and future acquisitions, joint ventures and investments**

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.

**The NOVOMATIC Group's success as a business depends on its management and key employees**

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

**The NOVOMATIC Group is dependent on technology systems and relies on technologies and sophisticated information technology systems that could be subject to malfunctions, disruptions, or illegal attacks and fraudulent activities**

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.

**Risks related to pathological gaming behavior and lawsuits brought forward by players**

In the context of its operating activities, the NOVOMATIC Group could be subject to legal proceedings demanding the refund of gaming and betting stakes, for example in connection with pathological gaming behavior, particularly if this results in the player's legal incapacity. In addition to this, NOVOMATIC could be subject to legal claims such as for damages stemming from the conclusion of gaming and betting contracts.

**The NOVOMATIC Group could suffer losses due to technical errors, illegal attacks or fraudulent manipulation**

The NOVOMATIC Group's business success is strongly dependent upon the ability to discover and prevent fraudulent manipulation (including betting manipulation) or illegal attacks on products and/or services. Should one of the NOVOMATIC Group's products and/or services be subject to technical errors, fraudulent activity or illegal attacks, it could negatively impact NOVOMATIC's reputation. This could result in NOVOMATIC incurring losses or being subject to damage claims – or even the revocation of licenses by the responsible authorities. Claims for damages due to technical, organizational or program-related errors are partially insured against.

Technical glitches, illegal attacks or fraudulent activity could seriously impair the NOVOMATIC Group's ability to manufacture or provide its products and/or services. If NOVOMATIC were to be unable to achieve its production targets or supply products to customers because of such interferences, this would have a strongly negative impact on the company's reputation and revenues.

NOVOMATIC is also subject to the risk of a temporary or permanent interruption of operations due to internal manipulation. Inappropriate behavior could force NOVOMATIC to temporarily or permanently shut down certain business areas or business locations on account of official orders.

**The NOVOMATIC Group is subject to the risk of losing its image**

The image of the NOVOMATIC Group and its brands is strongly influenced by their business partners and by media coverage of the gaming industry. Inappropriate behavior by business partners or negative coverage in the media could result in damage to its image and, consequently, in the loss of financing by banks or the withdrawal of licenses.

**Risks due to product liability or product defects**

The NOVOMATIC Group could be held liable for damages caused by defective products due to applicable product liability provisions. There is also a risk that third parties could bring forward claims against NOVOMATIC AG or one of its affiliated companies due to unexpected product defects. This risk has largely been insured against.

If defective products are not replaced (at all or in a timely fashion), this may also result in revenue losses for the NOVOMATIC Group.

**The NOVOMATIC Group's production activities depend on the availability of high-quality raw materials and semi-finished products provided by a limited number of suppliers**

The NOVOMATIC Group's production relies on the availability of high-quality raw materials and semi-finished products. Inventory shortages or increased demand could result in an increase in raw material costs, as well as problems or interruptions in production, and hence in delivery problems for the NOVOMATIC Group.

In addition to this, the NOVOMATIC Group sources a considerable amount of raw materials and semi-finished products from a limited number of external suppliers. Should one of these suppliers be unable to supply its goods (at all or in a timely fashion), NOVOMATIC would be forced to search for more expensive alternatives. This could also result in a considerable impairment of NOVOMATIC's production capabilities.

**The NOVOMATIC Group is subject to the risk of a temporary or permanent disruption of production or operations due to external events**

Some of the NOVOMATIC Group's companies are located in parts of the world where the weather conditions are extreme, are subject to an elevated risk of natural catastrophes, or where terrorist attacks may occur. These factors could result in the temporary or permanent interruption of NOVOMATIC's business activities. The NOVOMATIC Group cannot guarantee that it will be able to insure itself against such risks.

For reasons of efficiency, the NOVOMATIC Group has concentrated a considerable share of its production in a few manufacturing locations. Production at these manufacturing locations is subject to numerous operative risks, including machine failure, labor shortages, accidents, natural catastrophes and power outages. The occurrence of such risks could negatively impact NOVOMATIC's business activities and result in financial losses as well as legal liabilities.

**The NOVOMATIC Group is not insured against all risks and its insurance policies may not be sufficient to cover certain losses**

NOVOMATIC's operating activities are subject to complex operative risks such as climatic conditions, political unrest, terrorist or similar activities, as well as other events or accidents at the Group's production facilities. Such risks could result in damage to NOVOMATIC's production facilities, personal injury, death, environmental damage, business interruptions and possible liabilities. NOVOMATIC is not insured against all of the risks mentioned above. It also cannot be guaranteed that any payments from existing insurance contracts will be sufficient to cover all possible damages.

**The security mechanisms of the NOVOMATIC organization could fail**

There is a risk that security mechanisms established by the NOVOMATIC organization (in particular related to the compliance system and the internal control system) could fail, either in part or completely. In consequence, this could result in the violation of national and international laws on the prevention of criminal acts, market abuse, money laundering, corruption and misuse of data. The occurrence of such risks could negatively impact NOVOMATIC's reputation and result in economic losses, legal liabilities and the loss of licenses.

**Risks related to changes in customer behavior**

Diverse recreational and entertainment options entail constantly changing customer behavior. To maintain NOVOMATIC's market position in its target markets, product and/or service adjustments, as well as continuous innovation, are required. There is a risk that customer or consumer desires may be recognized not at all or only when it is too late. In addition, a further intensification of the trend towards online gaming could result in a decline in the number of visitors to the Group's terrestrial gaming facilities.

**The NOVOMATIC Group is subject to competitive risks**

Some of NOVOMATIC's competitors have extensive financial, technical and other resources at their disposal. There is a risk that the number of competitors – in particular, the number of companies providing online gaming and betting services – will continue to increase. In addition, there is the risk that competition in currently profitable markets may grow more challenging should NOVOMATIC be unable to offer innovative and competitive products and/or services, or should the company not receive the required gaming licenses.

**The NOVOMATIC Group is dependent on certain markets**

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.

**Risks in connection with existing financial liabilities**

The Group's inability to generate sufficient cash flows to repay or refinance its financial liabilities, or to gain access to capital markets on commercially reasonable terms, could limit its business, cause downgrades and have a generally negative impact on the net assets, financial position and results of operations, as well as on the reputation of the NOVOMATIC Group.

## Legal and Geographic Risks

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

The NOVOMATIC Group conducts business in more than 70 countries. Some of these countries are politically or economically unstable which subjects NOVOMATIC to certain risks. Social unrest or strikes could force 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, the Austrian Gaming Act or the discontinuation of state-regulated gaming in Vienna, 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'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 and other gaming products and services. Both manufacturing and sales licenses are generally granted for a limited period of time and are subject to an audit plus subsequent certification by the competent inspecting authorities. Once licenses have been granted, they are usually extended automatically, provided that all license requirements are met. The possibility cannot be excluded that, despite the utmost care, legal provisions, regulatory requirements, technical standards or licensing conditions may not be complied with within the NOVOMATIC Group, which could result in the partial or complete withdrawal of a license, the determination of breaches of competition laws, or other types of damage to the NOVOMATIC Group's asset, financial and earnings positions or reputation.

**Risks related to legal proceedings and arbitration proceedings**

During the course of its business activities, the NOVOMATIC Group is involved in legal disputes or administrative proceedings or is threatened by legal disputes or administrative proceedings resulting from the Group's regular business activities.

**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.

**Evolving legal systems and tax structures, in particular in the Central, Eastern and South-Eastern European countries as well as in Latin America, could have a considerable detrimental impact on the NOVOMATIC Group**

Legal systems, in particular in the Central, Eastern and South-Eastern European countries as well as in Latin America have been subject to a profound transformation over the past few years. In some of these states, the legal order and legal systems are still at an early stage of development, resulting in the inconsistent application and interpretation of legal norms. These countries therefore still lack the experience, precedent-setting cases and/or other suitable interpretation aids by which practitioners are bound and guided.

In particular, NOVOMATIC is subject to a high number of taxation standards that, in some cases, have only been in effect for a short period of time. This frequently makes the administrative practice by which they will be implemented impossible to forecast. Taxpayers such as NOVOMATIC regularly need to turn to the courts for help in order to defend their position against the tax authorities. Therefore, there is a risk that NOVOMATIC might become subject to unpredictable and burdensome taxation.

**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 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 or by customers or third parties. There is also the risk that customer data might be deleted, disclosed or edited involuntarily or in violation of data protection regulations. Should 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.

**Risks due to a tightening of international anti-money laundering provisions (Financial Action Task Force)**

In the countries where NOVOMATIC pursues business activities, the operation of gaming facilities such as casinos is subject to numerous and increasingly strict legal and regulatory provisions regarding money laundering. At an international level, organizations such as the Financial Action Task Force and the EU continuously adapt and tighten the regulations and standards related to anti-money laundering provisions. A further tightening of these standards and regulations could result in additional organizational measures as well as further financial expenses for NOVOMATIC's business operations.

**Risks due to audits by tax authorities**

During the course of tax audit procedures carried out by the competent tax authorities, the NOVOMATIC Group could be obligated to pay additional taxes or charges. Should the total amount of taxes or charges payable in arrears result in a substantial figure, this could have a negative impact on the NOVOMATIC Group's liquidity and earnings position.

**Changes in accounting policies may materially affect the reporting of the net assets, financial position and results of operations of the Group**

Changes in International Financial Reporting Standards ("IFRS") or their interpretation may materially or adversely affect the reported consolidated results and the consolidated balance sheet of the NOVOMATIC Group, without resulting in a comparable change in cash flow from operating activities.

## 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.

## 9. 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 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 GAMINATOR™ Scorpion cabinet, as well as V.I.P. terminals with giant screen technology and dynamic lighting effects based on LED technology. In terms of data security, increasing emphasis is being placed on physical random number generators that use quantum mechanics.

Standalone progressive jackpots (referred to as "SAP Jackpots") further expand gaming offerings, as does a new Egyptian-themed jackpot named "Kingdom of Ra". NOVOMATIC is also represented in the branded games sector by licensing films such as From Dusk Till Dawn, Batman, Austin Powers and Sherlock Holmes.

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, 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 to the portfolio immediately.

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

## 10. Acknowledgments

We would like to thank all employees of the NOVOMATIC Group for their strong commitment, with which they have made a major contribution to the company's further development and success. We are especially indebted to the 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 25, 2018

**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

## Consolidated Balance Sheet as of December 31, 2017

| EUR m | Notes | 12/31/2017 | 12/31/2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | (7.1, 7.3) | 881.4 | 722.4[1] |
| Property, plant and equipment | (7.2, 7.3) | 1,041.7 | 953.3[1] |
| Investment Property | (7.4) | 21.5 | 21.1 |
| Investments in Associated Companies | (7.5) | 1.4 | 0.2 |
| Financial assets | (7.6) | 271.2 | 237.8 |
| Deferred tax assets | (7.7) | 98.6 | 93.2 |
| Other non-current assets | (7.8) | 130.4 | 116.9 |
| | | **2,446.1** | **2,144.8** |
| **Current assets** | | | |
| Inventories | (7.9) | 268.1 | 225.5 |
| Trade Receivables, Other Receivables and Assets | (7.10) | 408.7 | 372.5 |
| Current tax receivables | (7.7) | 31.4 | 34.0 |
| Current financial assets | (7.11) | 25.4 | 31.3 |
| Cash and cash equivalents | (7.12) | 899.7 | 877.8 |
| Assets of a group held for sale | (8.15) | 20.4 | 0.0 |
| | | **1,653.6** | **1,541.1** |
| **Total ASSETS** | | **4,099.7** | 3,685.9 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share Capital | (7.13) | 26.6 | 26.6 |
| Capital Reserves | (7.14) | 85.4 | 85.4 |
| Retained Earnings | (7.15) | 1,169.0 | 1,246.2[1] |
| Revaluation Reserve | (7.16) | 23.3 | 5.2 |
| Currency Translation Adjustment | (7.17) | -66.8 | -52.4[1] |
| | | 1,237.5 | 1,311.0 |
| Non-controlling interests | (7.18) | 91.4 | 65.3[1] |
| | | **1,328.9** | **1,376.2** |
| **Non-current liabilities** | | | |
| Non-current financial liabilities | (7.19) | 1,829.0 | 1,395.1 |
| Non-Current Provisions | (7.20) | 83.8 | 66.1 |
| Non-current tax liabilities | (7.7) | 0.0 | 11.0 |
| Deferred tax liabilities | (7.7) | 131.9 | 98.4[1] |
| Other Non-Current Liabilities | (7.21) | 53.5 | 19.6 |
| | | **2,098.2** | **1,590.3** |
| **Current liabilities** | | | |
| Current Financial Liabilities | (7.22) | 72.0 | 210.8 |
| Current Provisions | (7.23) | 82.8 | 68.7 |
| Current tax liabilities | (7.7) | 71.7 | 33.9 |
| Trade Payables and Other Liabilities | (7.24) | 429.8 | 406.0[1] |
| Liabilities of a group held for sale | (8.15) | 16.2 | 0.0 |
| | | **672.6** | **719.4** |
| **Total EQUITY AND LIABILITIES** | | **4,099.7** | 3,685.9 |

[1] Adjustment of previous year's figures according to IFRS 3 "Business combinations"

## Consolidated Profit and Loss Account for Financial Year 2017

| EUR m | Notes | 01 - 12/2017 | 01 - 12/2016 |
|---|---|---|---|
| Revenues | (8.1) | 2,527.3 | 2,274.0[1] |
| Gaming taxes and betting fees | (8.2) | -294.2 | -238.3 |
| **Revenues less gaming taxes and betting fees** | | **2,233.1** | **2,035.7** |
| Changes in inventories of finished goods and work in progress | (8.3) | 6.0 | 21.0 |
| Own work capitalized | (8.3) | 233.0 | 194.6 |
| Other Operating Income | (8.4) | 134.9 | 107.9[1] |
| Cost of Material and Other Purchased Services | (8.5) | -371.9 | -356.1[1] |
| Personnel costs | (8.6) | -763.7 | -668.4[1] |
| Amortization, Depreciation, Impairment and Reversal of Impairment for Intangible Assets, Property, Plant and Equipment, and Investment Property | (8.7) | -377.0 | -321.1[1] |
| Other operating expenses | (8.8) | -884.6 | -748.3[1] |
| **Operating profit** | | **209.8** | **265.3** |
| Interest income | (8.9) | 9.6 | 7.8 |
| Other Financial Income | (8.10) | 31.4 | 12.6 |
| Interest expenses | (8.11) | -40.8 | -37.0[1] |
| Other financial expenses | (8.12) | -14.5 | -12.1 |
| Currency exchange gains/losses from intra-group financing | (8.13) | -7.4 | -5.9[1] |
| **Financial result** | | **-21.5** | **-34.6** |
| **Earnings before taxes** | | **188.3** | **230.7** |
| Tax expenses | (8.14) | -102.1 | -75.0 |
| **Net income from continued operations** | | **86.2** | **155.7** |
| Result from discontinued operations | (8.15) | -24.8 | 0.7[1] |
| **Annual profit** | | **61.4** | **156.4** |
| thereof attributable to non-controlling interests | | 3.1 | 6.8 |
| thereof attributable to shareholders of the parent (net profit) | | 58.3 | 149.6[1] |

[1] Adjustment of previous year's figures according to IAS 8 or IFRS 3 "Business combinations"

## Consolidated Statement of Comprehensive Income for Financial Year 2017

| EUR m | Notes | 01 - 12/2017 | 01 - 12/2016 |
|---|---|---|---|
| **Annual profit** | | **61.4** | **156.4[1]** |
| **Amounts that will be reclassified to profit and loss account in subsequent periods** | | | |
| Currency translation | (7.18, 7.19) | -14.5 | -28.4[1] |
| Currency translation for discontinued operations | | 0.2 | -0.1 |
| Hedging of payment flows | | -12.5 | 0.0 |
| Market value of financial assets available for sale | (7.17) | 40.8 | 18.4 |
| Apportionable income tax | | -10.2 | -4.6 |
| **Amounts that will not be reclassified to profit and loss account in subsequent periods** | | | |
| Revaluation of the net defined benefit liability | (7.16) | 0.5 | -3.0 |
| Apportionable income tax | | -0.1 | 0.9 |
| **Other comprehensive income after taxes** | | **4.2** | **-16.9** |
| **Total comprehensive income** | | **65.8** | **139.5** |
| thereof attributable to non-controlling interests | | 3.3 | 6.8 |
| thereof attributable to shareholders of the parent (net profit) | | 62.3 | 132,7[1] |

[1] Adjustment of previous year's figures according to IAS 8 or IFRS 3 "Business combinations"

## Consolidated Cash Flow Statement for Financial Year 2017

| EUR m | Notes | 01–12/2017 | 01–12/2016 |
|---|---|---|---|
| **Operating profit** | | **209.8** | **265.3[1]** |
| Result from discontinued operations | | -24.8 | 0.7 |
| | | **185.0** | **266.0[1]** |
| Loss (+) / Gain (-) from the disposal of fixed assets | | -16.1 | -12.1[1] |
| Depreciation (+) / Appreciation (-) of fixed assets | | 391.9 | 324.4 |
| Other non-cash income and expenses | | -46.1 | -33.2 |
| Interest received and interest-related income | | 18.3 | 13.0 |
| Taxes paid | | -95.4 | -89.1[1] |
| | | **437.6** | **469.0** |
| Increase (-) / Decrease (+) in inventories | | -47.8 | -30.4 |
| Increase (-) / Decrease (+) in receivables | | -33.8 | -31.8 |
| Increase (+) / Decrease (-) in provisions | | 36.3 | 24.7[1] |
| Increase (+) / Decrease (-) in liabilities | | 26.9 | -2.4 |
| **Cash flow from operating activities** | | **419.2** | **429.1** |
| Proceeds from the disposal of fixed assets (excluding financial assets) | | 80.2 | 76.1[1] |
| Proceeds from the disposal/repayment of financial assets | | 25.0 | 106.3 |
| Proceeds from the sale of consolidated companies, net of cash | | 36.8 | 51.9 |
| Acquisition of intangible assets, property, plant and equipment | | -446.4 | -415.3 |
| Acquisition of financial assets and other financial investments | | -28.2 | -139.4 |
| Acquisition of consolidated companies, net of cash | | -199.8 | -199.5[1] |
| Results from associated companies and investments | | 15.6 | 0.3 |
| **Cash flow from investing activities** | | **-516.7** | **-519.5** |
| Proceeds from capital increase | | 0.0 | 85.0 |
| Dividend payments | | -57.5 | -50.8 |
| Proceeds from non-controlling interests | | 0.0 | 0.3 |
| Expenditures from change in interests in subsidiaries (without change of control) | | -18.8 | -17.1[1] |
| Proceeds from issuance of a bond | | 0.0 | 492.7 |
| Expenditures from the redemption of bonds | | -148.2 | 0.0 |
| Proceeds from bank loans and financial liabilities | | 483.4 | 135.7 |
| Payouts from bank loans and financial liabilities | | -97.2 | -133.0 |
| Interest paid and interest-related expenses | | -52.0 | -38.8[1] |
| **Cash flow from financing activities** | | **109.6** | **474.0** |
| **Net change in cash and cash equivalents** | | **12.1** | **383.5** |
| Currency translation adjustments | | -0.5 | -8.2[1] |
| Changes in cash and cash equivalents due to changes in scope of consolidation | | 10.0 | 0.1 |
| **Net change in cash and cash equivalents** | | **21.6** | **375.3** |
| Cash and cash equivalents at the beginning of the period | (7.12, 9) | 878.0 | 502.5 |
| Cash and cash equivalents at the end of the period | (7.12, 9) | 899.7 | 877.8 |
| **Net change in cash and cash equivalents** | | **21.6** | **375.3** |

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

## Consolidated Statement of Changes in Equity for Financial Year 2017

| | Shares of shareholders of NOVOMATIC AG | | | | | | Non-controlling interests | Equity |
|---|---|---|---|---|---|---|---|---|
| EUR m | Share capital | Capital reserve | Retained earnings | Revaluation reserves | Currency translation adjustment | Total | | |
| **As of 1/1/2017** | **26.6** | **85.4** | **1,246.2** | **5.2** | **-52.4** | **1,311.0** | **65.3** | **1,376.2** |
| 1) Total comprehensive income | | | | | | | | |
| Profit for the period | 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) Changes 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) Merger of companies under common mastery | 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** |

| | Shares of shareholders of NOVOMATIC AG | | | | | | Non-controlling interests | Equity |
|---|---|---|---|---|---|---|---|---|
| EUR m | Share capital | Capital reserve | Retained earnings | Revaluation reserves | Currency translation adjustment | Total | | |
| **As of 1/1/2016** | **26.0** | **1.0** | **1,172.5** | **-8.6** | **-24.1** | **1,166.9** | **48.4** | **1,215.3** |
| 1) Total comprehensive income | | | | | | | | |
| Profit for the period | 0.0 | 0.0 | 149.6[1] | 0.0 | 0.0 | 149.6 | 6.8 | 156.4 |
| Other comprehensive income | 0.0 | 0.0 | -2.1 | 13.8 | -28.5[1] | -16.9 | 0.0 | -16.9 |
| 2) Dividend payments | 0.0 | 0.0 | -50.0 | 0.0 | 0.0 | -50.0 | -0.8 | -50.8 |
| 3) Change in non-controlling interests | 0.0 | 0.0 | -14.1 | 0.0 | 0.1 | -14.0 | -3.2[1] | -17.1 |
| 4) Changes in the scope of consolidation | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.3 | 13.9[1] | 14.2 |
| 5) Obligation from written put options for non-controlling interests | 0.0 | 0.0 | -10.0[1] | 0.0 | 0.0 | -10.0 | 0.0 | -10.0 |
| 6) Capital increase | 0.6 | 84.4 | 0.0 | 0.0 | 0.0 | 85.0 | 0.3 | 85.3 |
| **As of 12/31/2016** | **26.6** | **85.4** | **1,246.2** | **5.2** | **-52.4** | **1,311.0** | **65.3** | **1,376.2** |

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

# Notes to the Consolidated **Financial Statements**

as of December 31, 2017

## (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 2,100 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, 2017 was prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). The requirements of 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 company included in the Consolidated Financial Statement for 2017 were prepared as of the balance sheet date of the consolidated financial statements.

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

The equity method is applied for companies that are significantly influenced – but cannot be considered to be controlled – by NOVOMATIC AG. In cases of joint operations, the attributable assets and liabilities are recognized.

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 at acquisition costs.

The scope of consolidation has developed as follows:

| Scope of consolidation | Fully consolidated | Valued at equity | Joint activity |
|---|---|---|---|
| As of 1/1/2017 | 217 | 1 | 1 |
| First time inclusion in 2017 | 37 | 2 | 0 |
| Disposed of in 2017 | -7 | 0 | 0 |
| Merged in 2017 | -25 | 0 | 0 |
| Switched from joint operations to fully consolidated in 2017 | 1 | 0 | -1 |
| As of 12/31/2017 | 223 | 3 | 0 |
| thereof non-Austrian companies | 203 | 2 | 0 |

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

During 2017, the Group acquired or founded the following subsidiaries:

- Admiral Leisure SRL., Romania
- Advanced Technology Trust S.A., Poland
- ALP S.r.l., Italy
- Amugames Automaten BV, the Netherlands
- Basque Gaming S.L., Spain
- Bet Master SRL, Romania
- Biermann's Bingo B.V., the Netherlands
- Bingo Casilini S.r.l., Italy
- Bingo Italia S.r.l., Italy
- Bingo Net S.r.l., Italy
- Capecod Gaming S.r.l., Italy
- Casino Admiral Appelscha B.V., the Netherlands
- Casino Royal GmbH – Subgroup, Germany
- CIV S.r.l., Italy
- Decanomatic S.L., Spain
- Erreka Games S.L., Spain
- Estrada Polska Sp.z.o.o., Poland
- FEC S.p.A., Italy
- Fortress Gaming Technologies S.A., Poland

- Greentube UK Ltd., United Kingdom
- Inversiones Kerala S.A.C., Peru
- NMI Invest GmbH, Austria
- Novarmatic Srl., Italy
- Novo Poland Sp.z.o.o., Poland
- Novomatic Services FRA SAS, France
- NOVOMATIC Technologies Poland S.A., Poland
- Orchidea 2001 S.r.l., Italy
- Pajuma Algeciras S.L., Spain
- PDP S.r.l., Italy
- Recreativos del Este S.L., Spain
- Rio Vught B.V., the Netherlands
- Slotter Group (Mini Casino Europa S.r.l. - Mini Casino Europa S.r.l. 7), Italy
- Spielbanken MV GmbH & Co.KG (Spielbanken MV Bewerbergesellschaft GmbH & Co.KG), Germany
- Super Game B.V., the Netherlands
- Video Planet Srl., Italy

Additionally two subsidiaries were acquired and included in the scope of consolidation.

Interseven Gaming Team S.L., Spain, has been included in the scope of consolidation since 31 October 2017, being moved from joint operations.

In Italy, Spain, and Poland, some subsidiaries were merged.

## (4) Accounting Policies

**Standards and Interpretations to be Applied for the First Time in Financial Year 2017**

The following new or revised standards and interpretations were adopted by EU legislation and implemented for the first time in the 2017 fiscal year:

| Standard/Interpretation | |
|---|---|
| IAS 7 | Disclosure Initiative |
| IAS 12 | Recognition of Deferred Tax Assets for Unrealized Losses |
| Miscellaneous | Annual Improvements to IFRS 2014–2016 |

The application of the amendments had no significant impact on the Consolidated Financial Statement.





**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 financial years from |
|---|---|---|
| IAS 40 | Investment Property | January 1, 2018 |
| IFRS 9 | Financial Instruments | January 1, 2018 |
| | Amendments: Negative prepayment penalties | January 1, 2019 |
| IFRS 15 | Revenue from Contracts with Customers | January 1, 2018 |
| | Clarification to IFRS 15 “Revenue from Contracts with Customers” | January 1, 2018 |
| IFRS 16 | Leasing | January 1, 2019 |
| IFRS 17 | Insurance Contracts | January 1, 2021[1] |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | January 1, 2018 |
| IFRIC 23 | Uncertainty regarding income tax treatment | January 1, 2019[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.

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 measure their effectiveness more easily. IFRS 9 also requires comprehensive new disclosures and changes in the presentation.

The new regulations on classifying and subsequent measurement of financial assets and liabilities will not have a material effect on the Consolidated Financial Statement, as first-time recognition and subsequent measurement will take place, for the overwhelming majority of financial instruments, in accordance with principles comparable to previous accounting methods. There are some changes, for example for shares held in investment funds. In future, these must be measured via the income statement at fair value, as the payments in connection with the funds are not solely made up of interest and principal payments. In addition, individual effects may be in evidence during accounting for (other) shares or shares held over the long term, which up until now were partially positioned under acquisition costs and must now be measured with the fair value. Not only that, the Group will use the option of classifying equity instruments which, in accordance with IFRS 9, must in principle be measured via the income statement, as FVTOCI. This will lead to 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.

With regard to write-offs within the NOVOMATIC Group, trade receivables, loans, and bank and time deposits, in particular, are affected by the new regulations. Expected credit loss calculations as of December 31, 2017, however, have shown that the new impairment loss logic has not caused any material impairments or deviations to the previous write-offs. In terms of trade receivables, the NOVOMATIC Group will follow the suggestion in IFRS 9.B5.5.35 and use 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.

In addition, the extended requirements will affect the nature and extent of disclosures on financial instruments.

The initial application of IFRS 9 within the NOVOMATIC Group will take place retroactively in the 2018 fiscal year; there will be a record of cumulative adjustment amounts for the date of initial application, and therefore no adjustment of comparative information.

The new IFRS 15 "Revenue from Contracts with Customers" regulates the recognition of revenue and thus 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 power to dispose of the agreed goods and services and may derive a benefit therefrom. The standard provides for a five-step model to recognize revenues. The first step is to identify the contract/contracts with customers and the independent performance obligations so as then to determine the transaction price and to divide up the contractual performance obligations. NOVOMATIC generates revenue primarily in the following areas:

- Revenue from the operation of gaming machines
- Rental and management revenue from gaming machines
- Sales revenues from gaming machines
- Revenue from eBusiness
- Betting revenues

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).

The focus of the further analysis of NOVOMATIC concerning the provisions of IFRS 15 for the individual areas listed above was on:

- **Separation of benefit obligations and the associated transfer of control**
  This topic mainly concerns the area of the "sale of gaming machines", since in this context additional services such as installation, spare parts, warranties, software updates or transport services are often agreed. In principle, the separation of individual benefit obligations and transfer of control currently already complies with the requirements of IFRS 15.

  Equally relevant was the assessment of this point in the area of the "operation of gaming machines" in which customers are sometimes granted game incentives in the form of coupons, complementary services or jackpot systems. These are to be divided into discretionary and non-discretionary incentives which, depending on their nature, are to be regarded as a marketing expense, own performance obligation or option with substantial justification. The current procedure basically complies with the requirements of IFRS 15.

- **Handling any variables in the transaction price**
  In the area of the "sale of gaming machines", contracts were examined for possible financing components and rights of return, with these occurring only sporadically and, to a large extent, having already hitherto been accounted for in compliance with IFRS 15.

  In the betting business, this point was also important. Due to the uncertainty associated with the betting result, there are variable payments that are only recognized in the proceeds with the appropriate security. This corresponds to the current procedure.

- **Interaction of IFRS 15 and IAS 17/IFRS 16 in the rental business**
  In connection with the rental business, the question of the separation of individual services, as well as the corresponding time of the revenue recognition, are of particular importance. Rental revenues are recognized over the contract period. Maintenance services and cash collection services are also recognized over the relevant period, which complies with the requirements of IFRS 15, meaning that there are no changes here.

In summary there will be no material impact of IFRS 15 on the accounting of Group revenues, however individual changes in presentation and extended disclosures in the notes will be required.

The new IFRS 16 "Leasing" regulates the recognition, measurement and reporting, as well as the disclosure requirements, regarding leases. For the lessee, the standard provides for a single accounting model. This model results in the lessee having to recognize all assets and liabilities from lease agreements in the balance sheet. The only exceptions here are for current leases and leases for low-value assets. Lessors, on the other hand, continue to differentiate between financing and operating leases. The NOVOMATIC Group is currently undertaking a detailed analysis of the impact of IFRS 16. On the one hand, NOVOMATIC has a large presence as a lessee, since a considerable number of the operated slot arcades are rented, but on the other hand also as a lessor, since gaming equipment is rented in addition to the possibility of being sold. At a general level, it is expected that the recognition of usage rights and leasing liabilities from the contracts previously classified as operating leases, where the Group acts as lessee, will be enhanced. The most important effect is apparent in the area of operated gaming arcades or locations that are largely rented by third parties. Rental business is not generally expected to have a major impact for the lessor, as the criteria of IAS 17 for assessing whether a finance lease or an operating lease essentially exist have been carried over to IFRS 16. IFRS 16 is to be applied for the first time in fiscal years commencing on or after January 1, 2019. NOVOMATIC does not plan to adopt the new standards early.

The NOVOMATIC Group does not expect any significant impact on its net assets, financial and earnings position due to the first-time application of the other standards and interpretations.

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

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

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

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

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

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

In the case of joint operations, the Group recognizes its share in jointly held assets, incurred debts, revenues and expenses.

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

## Foreign Currency Translation

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

Foreign fully consolidated subsidiaries are considered as independent companies because they are financially, economically and organizationally independent. Their functional currencies are usually the respective national currencies. Apart from the positions within equity, all balance sheet items are translated into the reporting currency at the exchange rate prevailing on December 31, 2017. 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 significant 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 | |
|---|---|---|---|---|
| | 12/31/2017 | 12/31/2016 | 2017 | 2016 |
| British pound | 0.8888 | 0.8575 | 0.8761 | 0.8228 |
| Croatian kuna | 7.4437 | 7.5500 | 7.4637 | 7.5310 |
| Macedonian denar | 61.6390 | 61.5520 | 61.5875 | 61.5594 |
| Peruvian new sol | 3.8827 | 3.5200 | 3.6817 | 3.7165 |
| Romanian leu | 4.6683 | 4.5420 | 4.5686 | 4.4922 |
| US Dollar | 1.2021 | 1.0563 | 1.1294 | 1.1034 |

## 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, 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 |
| Software | 3 | 5 |
| 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.

## Leasing

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 payment 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 Held for Sale and Sale Groups

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

## Financial Instruments

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

The valuation of financial instruments is dependent on the categories to which the specific instruments belong, as defined in accordance with IAS 39. In the NOVOMATIC Group's balance sheet, the following financial instruments are disclosed:

- Loans and Receivables
- Available-for-sale financial assets
- Financial Liabilities Recognized at Amortized Cost
- Financial Liabilities Measured at Fair Value through Profit or Loss

**Loans and Receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted on tradable markets are recognized under this category. Such assets primarily include trade receivables, loans and other receivables, as well as cash and cash equivalents. Loans and receivables are carried at amortized cost less impairment. Foreign currency receivables are valued using the prevailing rates as of the balance sheet date and the resulting currency translation differences are recognized in profit or loss.

**Available-for-sale Financial Assets**

Available-for-sale financial assets are non-derivative financial assets that have been either designated as such or not classified in any of the other categories in accordance with IAS 39. These include securities, investments in affiliated, non-consolidated entities and other participating interests (including financial investments). The valuations of available-for-sale assets are carried at fair value.

The valuation of securities is done to correspond with market values – the values of which can be derived from quoted market prices on the balance sheet date. In the case of financial investments, the market value is derived from internal company valuations. Any changes in value resulting from fluctuations in fair value are recognized in other comprehensive income, accumulated under changes in revaluation reserve (IAS 39). When the investment is impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

The valuation of holdings in affiliated, non-consolidated entities and other participating interests (excluding financial investments) cannot be reliably determined. Therefore, such assets are carried at amortized cost less impairment. If the reasons for the impairment no longer exist, the assets will be appreciated up to the maximum of their original acquisition costs.

**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.

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.

**Cash Flow Hedges**

For derivatives and other hedging instruments intended to hedge against the risk of fluctuating cash flows, the effective portion of changes in the fair value of the hedging instruments is recognized in other comprehensive income and recognized in equity in the cash flow hedge reserve. The ineffective portion of changes in fair value is recognized directly in profit or loss.

The cumulative amount recognized in equity initially remains in other comprehensive income and is reclassified to profit or loss in the same period or periods in which the hedged expected cash flows or hedged underlying transaction affects profit or loss. When hedging non-financial items, a so-called base adjustment is made.

**Impairment of Financial Assets**

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected negatively. Losses expected to arise from possible future events, regardless of their likelihood of occurrence, cannot be recognized.

For the purposes of determining the recoverability of receivables, the creditworthiness of customers, existing collaterals, changes in payment history and behavior, and past experiences, are taken into account. Expected default risks are calculated into value adjustments or writedowns.

**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. Revenues from the sale of gaming machines are recognized when the products are delivered and risk and ownership have passed to the customer. Rental revenues are recognized at the rendering of service; obtained special rent payments are deferred on a straight-line basis over the service performance period (basic rental period). Revenues from the operation of gaming halls and electronic gaming machine casinos are shown as the net amount of the bets placed by customers and the payouts received by them and are recognized at the time of settlement. In cases where the supply and networking of account settlement systems represent the core business activity, the consideration received is shown as revenue. Revenue from online gaming is recognized as soon as the underlying games have taken place or the service has been provided. Betting income is recognized according to the number of bets placed up to the balance sheet date, insofar as the underlying bets have already taken place. Revenues from betting operations are shown as net amounts resulting from bets and payouts from betting. 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 | 2017 tax rate | 2016 tax rate |
|---|---|---|
| Germany | 15.825 %–57.2 % | 15.825 %–57.2 % |
| United Kingdom | 17 %–19.25 % | 20 % |
| Italy | 24 %–27.9 % | 27.5 %–31.4 % |
| Croatia | 18 % | 20 % |
| Latvia | 15 % | 15 % |
| Malta | 35 % | 5 % and 35 % |
| Macedonia | 10 % | 10 % |
| Netherlands | 25 % | 25 % |
| Austria | 25 % | 25 % |
| Peru | 29.5 % | 28 % |
| Romania | 16 % | 16 % |
| Spain | 25 % | 25 % |
| United States | 26%–40 % | 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 influencing factors, the fair values presented can only be considered as indicators of the values that could actually be generated on the market.

## Estimates and Judgments

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

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

The assessment of recoverability of intangible assets 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 (if reliably determinable), as well as derivatives, is derived based on market information available on the balance sheet date. When calculating the market value of financial investments, a multiplier method is used as there is no active market available for this. The parameters used in the measurement may be fraught with predictive uncertainty and, similarly, the selection of the suitable peer group requires assumptions about their comparability. In the face of varying influencing factors, the values disclosed may deviate from values realized at a later point in time.

Concerning the valuation of inventories, assumptions must be made regarding market development and economic exploitability. Concerning receivables, individual value adjustments are made based on assumptions about the probability of default.

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

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 had 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.





## Changes in Recognition

Due to the application of the classification, presentation and measurement requirements of IFRS 5 to the I-New Group in the 2017 Consolidated Financial Statement, the comparative figures in the income statement for the previous period were restated. Further explanations are provided in note (8.15).

## (5a) Company Acquisitions in 2017

**Germany**

In March 2017, NOVOMATIC Gaming Industries GmbH acquired 100 percent of the shares in Casino Royal GmbH, Germany. The acquired company and its 10 subsidiaries operate a total of 126 gaming arcades with a regional focus on North Rhine-Westphalia, Lower Saxony and Rhineland-Palatinate. With this acquisition, the Group strengthens its operating activity as an operator in the German gaming market.

The consolidated Casino Royal companies have been included on the basis of final fair values for the acquired assets and assumed liabilities. When recording the acquisition on the balance sheet, usage rights in particular for the operation of approved gaming arcades (licenses) were identified and valued. The final fair values at the acquisition date are as follows:

| EUR m | Fair values |
|---|---|
| Intangible assets | 64.2 |
| Property, plant and equipment | 8.5 |
| Deferred tax assets | 2.3 |
| Cash and cash equivalents | 12.7 |
| Other current assets | 1.7 |
| Non-current liabilities and provisions | -38.1 |
| Deferred tax liabilities | -18.9 |
| Current liabilities and provisions | -10.7 |
| **Net assets** | **21.7** |
| Goodwill | 40.7 |
| **Consideration** | **62.3** |

The consideration of EUR 62.3 million comprises a share of EUR 58.9 million already paid in cash and a contingent consideration of EUR 3.4 million, which was deposited on a trust account. The contingent purchase price depends on the future interpretation of the legal framework conditions for the operating companies. The legal fees for this acquisition amounted to EUR 0.7 million.

Provisional goodwill resulting from the acquisition 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 69.1 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR -6.3 million.

**Spain**

The Group company Admiral Operations Spain S.A. concluded a purchase agreement in December 2016 for the acquisition of 51 percent of the shares in Basque Gaming S.L. The company operates a total of 13 slot arcades itself in the Basque Country. Basque Gaming S.L. also has a wholly owned subsidiary Erreka Games S.L., which also operates one slot arcade in the Basque Country. Call and put options have been agreed upon for the remaining 49 percent stake of non-controlling interests. The obligation resulting from the written put option was balanced as a liability.

With this acquisition, the Group has intensified its operating activity in the Basque Country and pooled its own existing operations. The acquisition of Basque Gaming was subject to the condition precedent of various approvals by the Basque government and local authorities, which were ultimately met in March 2017.

In March 2017, a further 60 percent of the shares in Recreativos del Este S.L. was acquired. The company operates six gaming arcades in Valencia, through which the Group expanded its activities in this region. Call and put options have been agreed upon for the remaining 40 percent stake of non-controlling interests. The obligation resulting from the written put option was balanced as a liability.

In August 2017, 60 percent of the shares in Decanomatic S.L. were acquired, which was merged directly into an existing Spanish company. The acquired company operates four slot arcades in Huelva.

| EUR m | Fair values |
|---|---|
| Intangible assets | 53.4 |
| Property, plant and equipment | 5.4 |
| Other non-current assets | 0.1 |
| Deferred tax assets | 3.6 |
| Cash and cash equivalents | 5.9 |
| Other current assets | 0.1 |
| Non-current liabilities and provisions | -1.5 |
| Deferred tax liabilities | -14.6 |
| Current liabilities and provisions | -1.0 |
| **Net assets** | **51.4** |
| **Non-controlling interests** | **-28.3** |
| Goodwill | 18.6 |
| **Consideration** | **41.7** |

The consideration of EUR 41.6 million (of which a contingent consideration comprising EUR 21.1 million) has already been paid fully in cash. The conditional purchase price depended on interim year earnings. The legal fees for this acquisition amounted to EUR 2.1 million.

Provisional goodwill resulting from the acquisition reflects expected strategic advantages for the Group due to the further expansion of operational business activities and further potential growth through synergies. The tax deductibility of the goodwill is given for an amount of EUR 16.5 million.

Revenue amounts to EUR 14.0 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR 4.9 million.

## Other Company Acquisitions

**Italy**

In January 2017, the newly founded 70 percent Group company ALP S.r.l acquired 100 percent of the shares in CIV S.r.l and PDP S.r.l in Italy, respectively, with which it directly carried out a merger. The acquired companies operated two slot arcades together in the Marche and Abruzzo regions with 170 VLTs and 5 roulette tables. In July 2017, 80 percent of the shares in FEC S.p.A, an operator of six slot arcades with 245 AWPs and 258 VLTs in the regions of Lombardy, Piedmont, Emilia-Romagna and Sardinia, were acquired. Furthermore, the Mini Slotter Group (consisting of seven companies), which operates seven slot arcades with 91 AWPs and 106 VLTs in the Rome region, was acquired. Finally Mini Slotter Group was merged with an existing company.

All of the shares in Video Planet S.r.l. were acquired in March 2017 and in Orchidea 2001 S.r.l. in July 2017. Both companies each operate a bingo hall in the region of Rome or Turin and were merged with an existing company. In addition, 100 percent of the shares were acquired in Bingo Casilini S.r.l., Bingo Italia S.r.l. and Bingo Net S.r.l., which all run bingo halls, and finally these companies were merged with an existing corporation.

In addition to this, several gaming halls were acquired through asset deals. The slot arcades generally house AWP and VLT devices as well as bingo facilities.

In July 2017, 80 percent of the shares in Capecod Gaming S.r.l. were acquired. The acquired company develops and markets online games in the B2B sector and a gaming platform.

With these acquisitions, the Group is intensifying its extensive activities as an operator of slot arcades and bingo halls, as a provider of catering services and as a technology provider on the Italian market in various regions.

**Netherlands**

In March 2017, 100 percent of shares in Super Game B.V. and Biermann's Bingo B.V., the Netherlands, were acquired. These two acquired companies operate a total of 7 gaming arcades.

In addition, 100 percent of the shares in Rio Vught B.V., operator of arcades, was acquired in October 2017.

**Germany (Other Acquisitions)**

The Group company Extra Games Entertainment GmbH has acquired four slot arcades as part of an asset deal.

The accounting of the individual acquisitions mentioned above pursuant to IFRS 3 in Italy, the Netherlands and Germany (other acquisitions) has already been completed. In the following overview, the fair values for these further business combinations (i.e. excluding the separately recognized acquisitions in Germany, Spain, and Poland/Austria) are presented in summary:

| EUR m | Fair values |
|---|---|
| Intangible assets | 50.6 |
| Property, plant and equipment | 7.2 |
| Other non-current assets | 0.4 |
| Deferred tax assets | 0.4 |
| Inventories | 0.4 |
| Cash and cash equivalents | 12.4 |
| Other current assets | 3.1 |
| Non-current liabilities and provisions | -2.0 |
| Deferred tax liabilities | -11.9 |
| Current liabilities and provisions | -12.6 |
| **Net assets** | **48.0** |
| **Non-controlling interests** | **-3.1** |
| Goodwill | 34.3 |
| **Consideration** | **79.2** |

The consideration of EUR 79.2 million for the acquisitions listed above consists of a portion of EUR 76.2 million to be paid in cash (thereof EUR 71.8 million already paid), as well as a contingent consideration amounting to EUR 3.0 million. The contingent purchase price was determined depending on the expected development of future earnings. The acquisition-related legal costs of EUR 0.5 million were recognized as an expense.

Non-controlling interests have been valued at their respective shares of the recognized identifiable net assets at the acquisition date. Provisional goodwill resulting from the acquisitions reflects expected strategic advantages for the Group due to the further expansion of operational business activities and further potential growth through synergies. None of the goodwill resulting from these acquisitions is tax-deductible.

Revenue amounts to EUR 16.8 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR 0.1 million.

**Poland/Austria**

In January 2017, NOVOMATIC Gaming Industries GmbH (NGI), a subsidiary of NOVOMATIC AG, acquired a majority stake in four Polish companies (including two additional Polish subsidiaries). The business purpose of the companies acquired in the course of this transaction, ATSI S.A. and Fortress Gaming Technology S.A. was in development and programming activities for NGI, even before the share acquisition. The company ATT S.A. generates income primarily from the purchase, general overhaul and the resale of used gaming machines. The fourth company acquired, Novo Poland Sp.z.o.o., is a holding company with a subsidiary that operates four smaller casinos in Poland. Gryphon Invest AG, a related company to NOVOMATIC AG, was the seller of the investments. The consideration for the entire transaction was EUR 67.3 million.

In August 2017, NOVOMATIC Gaming Industries GmbH (NGI) further acquired a majority stake in an Austrian company (including its Slovenian subsidiary). The business purpose of the companies acquired as part of this transaction comprises the manufacture and sale of software. Gryphon Invest AG, a related company to NOVOMATIC AG, was also the seller of the investments. The consideration for the entire transaction was EUR 9.5 million.

These two acquisitions constitute a combination of companies with joint control over subsidiary. As there are no specific rules in IFRS for this purpose, such transactions are accounted for under an intra-Group accounting policy. This stipulates that the respective carrying amounts are recognized for the acquired assets and assumed liabilities and the results and the cash flows are presented from the acquisition date. The companies were included without retrospective adjustment. The difference of EUR 34.8 million between the purchase price and acquired net assets at their carrying values less shares of non-controlling shareholders are offset against the retained earnings in the Group.

The assumed carrying amounts of the assets and liabilities identified are as follows:





| EUR m | Fair values |
|---|---|
| Intangible assets | 4.3 |
| Property, plant and equipment | 6.9 |
| Other non-current assets | 1.9 |
| Deferred tax assets | 0.2 |
| Inventories | 1.7 |
| Cash and cash equivalents | 31.3 |
| Other current assets | 7.1 |
| Non-current liabilities and provisions | -2.5 |
| Deferred tax liabilities | -0.7 |
| Current liabilities and provisions | -3.6 |
| **Net assets** | **46.6** |
| **Non-controlling interests** | **-5.1** |
| **Acquired net assets** | **41.5** |

**Further Comments on the Acquisitions**

Assuming that the acquisition dates for all business combinations were at the start of the reporting periods, revenues in the present Consolidated Financial Statement would come to EUR 2,584.1 million and the annual profit to EUR 70 million.

## (5b) Company Sales in 2017

**Peru**

In July 2017, it was decided to sell the Peruvian subsidiaries Inmobiliaria Rapid S.A.C. and Sierra Machines S.A.C. for strategic reasons. The purpose of the business of both companies was the operation of slot arcades.

The respective carrying amounts of the assets and liabilities at the time of the sale are as follows:

| EUR m | Carrying value in the Group |
|---|---|
| Intangible assets | 1.6 |
| Property, plant and equipment | 12.3 |
| Other non-current assets | 0.2 |
| Inventories | 0.5 |
| Cash and cash equivalents | 1.7 |
| Other current assets | 2.8 |
| Deferred tax liabilities | -0.1 |
| Current liabilities and provisions | -4.1 |
| **Net assets sold** | **15.0** |

From the other comprehensive income, EUR 2.2 million resulting from the currency loss were reclassified to the income statement. The consideration received amounts to EUR 23.5 million (of which EUR 14.8 million to be paid in cash and cash equivalents) for the reporting periods. In the NOVOMATIC Consolidated Financial Statement, the sale of the 100 percent shareholding in both companies resulted in a profit of EUR 9.4 million (reported under other operating income) for the year 2017.

**Other Comments on Sales**

In addition, other companies – to a negligible extent – were sold or voluntarily discontinued. For materiality reasons, not further information is provided about these disposals.

## (6) Company Acquisitions in 2016

The individual company acquisitions are detailed in NOVOMATIC AG's Consolidated Financial Statement as of December 31, 2016.

**Talarius Group, United Kingdom**

The Talarius Group was included at the time the 2016 Consolidated Financial Statements were prepared based on provisional fair values, as the values in the opening balance had not yet been conclusively determined. Likewise, the total purchase price had not yet been fully allocated to the acquired assets and assumed liabilities.

The final values for this business combination are now available and have been taken into account retroactively:

| EUR m | Provisional fair values | Final fair values |
|---|---|---|
| Intangible assets | 102.9 | 123.6 |
| Property, plant and equipment | 22.0 | 20.2 |
| Other non-current assets | 1.3 | 1.3 |
| Deferred tax assets | 4.8 | 4.8 |
| Inventories | 0.1 | 0.1 |
| Cash and cash equivalents | 8.6 | 8.6 |
| Other current assets | 3.6 | 3.6 |
| Non-current liabilities and provisions | -3.7 | -3.7 |
| Deferred tax liabilities | -18.6 | -21.7 |
| Current liabilities and provisions | -15.4 | -13.5 |
| **Net assets** | **105.6** | **123.2** |
| Goodwill | 20.1 | 2.4 |
| **Consideration** | **125.7** | **125.7** |

Goodwill resulting from the acquisition reflects expected strategic advantages for the Group due to the expansion of operational business activities and further potential growth through synergies. None of the goodwill resulting from this acquisition is tax-deductible.

The other disclosures from 2016 remained unchanged.

**Other Company Acquisitions**

At the time of preparation of the 2016 Consolidated Financial Statements, the accounting for various company acquisitions in Spain had not yet been completed, in particular with regard to intangible assets, meaning that provisional fair values had been used. The final values for these business combinations are now available and have been taken into account retroactively.

In the following overview, the final fair values for these further business combinations (i.e. excluding the separately recognized Talarius Group) are presented in summary:

| EUR m | Provisional fair values | Final fair values |
|---|---|---|
| Intangible assets | 76.9 | 96.6 |
| Property, plant and equipment | 23.7 | 21.2 |
| Other non-current assets | 2.7 | 2.7 |
| Deferred tax assets | 2.2 | 2.9 |
| Inventories | 3.7 | 3.7 |
| Cash and cash equivalents | 15.9 | 15.9 |
| Other current assets | 13.8 | 13.8 |
| Non-current liabilities and provisions | -29.9 | -29.9 |
| Deferred tax liabilities | -21.3 | -26.1 |
| Current liabilities and provisions | -24.6 | -24.8 |
| **Net assets** | **63.0** | **75.9** |
| **Non-controlling interests** | **-10.4** | **-13.2** |
| Goodwill | 62.4 | 58.1 |
| Received surpluses recognized in profit and loss | -1.4 | -1.4 |
| **Consideration** | **113.6** | **119.4** |

The consideration for the listed acquisitions amounted to EUR 119.4 million, with EUR 93.1 million being paid in cash, EUR 13.4 million resulting from contingent considerations and EUR 13.0 million resulting from offsetting with receivables. The contingent purchase price was calculated dependent on the development of underlying earnings figures in 2016.

Non-controlling interests have been valued at their respective shares of the recognized identifiable net assets at the acquisition date.

Goodwill resulting from the acquisitions reflects the strategic advantages that are expected for the Group from the expansion of operating activities in the respective market, as well as the expected synergies. Based on an assessment, goodwill will not be tax-deductible.

The other disclosures from 2016 remained unchanged.

## (7) Notes to the Consolidated Balance Sheet

### (7.1) Intangible Assets EUR m

| Acquisition costs | Goodwill | Trademarks and patents | Licenses and concessions | Customer relationships | Software | Other intangible assets | Total |
|---|---|---|---|---|---|---|---|
| As of 1/1/2016 | 174.0 | 31.3 | 313.0 | 91.9 | 133.8 | 71.6 | 815.6 |
| Currency translation adjustments | -4.2[1] | -2.8 | -9.9 | -1.6 | -0.5 | -0.3 | -19.3 |
| Acquisitions through business combinations | 60.6[1] | 26.2[1] | 170.5[1] | 18.7 | 6.2 | 0.6[1] | 282.8 |
| Additions | 0.0 | 0.0 | 21.2 | 0.0 | 14.3 | 8.4 | 44.0 |
| Disposals | -0.4 | 0.4 | -5.8 | 0.0 | -1.8 | 0.6 | -7.0 |
| Reclassifications | 0.0 | 0.0 | -0.1 | 0.0 | 0.9 | -1.0 | -0.2 |
| **As of 12/31/2016** | **230.0** | **55.2** | **488.9** | **109.0** | **153.0** | **79.9** | **1,115.9** |

| Acquisition costs | Goodwill | Trademarks and patents | Licenses and concessions | Customer relationships | 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** |

| Cumulative depreciation and amortization | Goodwill | Trademarks and patents | Licenses and concessions | Customer relationships | Software | Other intangible assets | Total |
|---|---|---|---|---|---|---|---|
| As of 1/1/2016 | 42.2 | 12.9 | 112.7 | 25.5 | 86.4 | 37.8 | 317.4 |
| Currency translation adjustments | 0.0[1] | -0.1 | 0.4 | 2.1 | -0.2 | -0.2 | 1.9 |
| Acquisitions through business combinations | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 | 0.0 | 2.0 |
| Additions | 0.0 | 1.5 | 24.6 | 9.6 | 22.5 | 6.0 | 64.1 |
| Impairment | 0.6 | 1.2 | 10.3 | 0.0 | 0.9 | 2.0 | 14.9 |
| Disposals | -0.2 | 0.4 | -5.8 | 0.0 | -1.6 | 1.1 | -6.1 |
| Reclassifications | 0.0 | 0.0 | -0.1 | 0.0 | 0.2 | -0.1 | 0.0 |
| Impairment reversals | 0.0 | 0.0 | -0.7 | 0.0 | 0.0 | 0.0 | -0.7 |
| **As of 12/31/2016** | **42.5** | **15.9** | **141.3** | **37.1** | **110.2** | **46.5** | **393.5** |

| Cumulative depreciation and amortization | Goodwill | Trademarks and patents | Licenses and concessions | Customer relationships | 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** |
| **Book values as of 12/31/2016** | **187.4** | **39.2** | **347.6** | **71.9** | **42.8** | **33.4** | **722.4** |
| **Book values as of 12/31/2017** | **276.3** | **33.2** | **456.9** | **55.4** | **38.3** | **21.3** | **881.4** |

[1] Adjustment of previous year's figures according to IAS 8 or IFRS 3 "Business combinations"

## Goodwill

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

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Gaming Operations – Germany | 67.7 | 25.7 |
| Gaming Operations – United Kingdom | 25.5 | 26.5[1] |
| Gaming Operations – Italy | 34.1 | 8.8[2] |
| Gaming Operations – Netherlands | 10.1 | 4.8 |
| Gaming Operations – Online | 10.3 | 10.3 |
| Gaming Operations – Spain | 29.3 | 10.7[1] |
| Gaming Operations – Spain casinos | 4.5 | 4.5[1] |
| Gaming Technology – United Kingdom | 13.5 | 14.0 |
| Gaming Technology – Italy | 43.6 | 36.3[2] |
| Gaming Technology – Online | 10.1 | 10.3 |
| Gaming Technology – Spain | 7.0 | 7.0[1] |
| Mobile Virtual Network | 0.0 | 4.4 |
| Other | 20.7 | 24.3 |
| **Total** | **276.3** | **187.4** |

[1] Adjustment of previous year's figures according to IFRS 3 "Business combinations"
[2] 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 188.9 million (previous year: EUR 157.4 million) as well as trademarks totaling EUR 2.2 million (previous year: EUR 1.5 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 | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Gaming Operations – Latvia | 18.7 | 18.6 |
| Gaming Operations – Spain | 45.2 | 6.1[1] |
| Gaming Operations – United Kingdom | 124.8 | 131.2[1] |
| Other | 0.2 | 1.5 |
| **Total** | **188.9** | **157.4** |

[1] Adjustment of previous year's figures according to IFRS 3 "Business Combinations"

| Trademarks EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Other | 2.2 | 1.5 |
| **Total** | **2.2** | **1.5** |

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 115.0 million (previous year: EUR 95.0 million) were recognized through profit and loss under “Personnel costs”, “Other operating expenses” and “Amortization and depreciation and reversal 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 1/1/2016 | 645.2 | 901.4 | 377.6 | 24.0 | 1,948.1 |
| Currency translation adjustments | -2.9 | -13.7 | -5.8 | 0.1 | -22.4 |
| Acquisitions through business combinations | 50.4[1] | 53.3[1] | 42.6 | 0.2 | 146.4 |
| Additions | 52.7 | 216.6 | 75.1 | 45.9 | 390.3 |
| Disposals | -39.5[1] | -93.2 | -37.9 | -29.5 | -200.2 |
| Reclassifications | 4.7 | 3.9 | 2.7 | -11.1 | 0.2 |
| **As of 12/31/2016** | **710.5** | **1,068.2** | **454.2** | **29.6** | **2,262.5** |

| 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** |

[1] Adjustment of previous year’s figures according to IFRS 3 “Business combinations”

| Cumulative depreciation and amortization | Land and buildings | Plant and machinery | Factory and office equipment | Prepayments and property under construction | Total |
|---|---|---|---|---|---|
| As of 1/1/2016 | 288.9 | 552.1 | 243.3 | 6.9 | 1,091.2 |
| Currency translation adjustments | -1.9 | -7.1 | -4.1 | 0.0 | -13.1 |
| Acquisitions through business combinations | 35.8 | 39.4 | 29.9 | 0.0 | 105.0 |
| Additions | 36.5 | 146.6 | 50.6 | 1.2 | 234.9 |
| Impairment | 12.4 | 1.4 | 4.6 | 0.0 | 18.4 |
| Disposals | -21.6 | -73.5 | -24.3 | 0.0 | -119.4 |
| Reclassifications | 0.1 | 1.1 | 0.1 | -1.2 | 0.0 |
| Impairment reversals | -4.9 | -0.5 | -2.1 | -0.4 | -7.9 |
| **As of 12/31/2016** | **345.3** | **659.5** | **297.9** | **6.5** | **1,309.2** |

| 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** |
| **Book values as of 12/31/2016** | **365.2** | **408.7** | **156.3** | **23.1** | **953.3** |
| **Book values as of 12/31/2017** | **379.5** | **384.7** | **170.7** | **106.8** | **1,041.7** |

Plant and machinery contains slot machines with a carrying amount of EUR 365.5 million (previous year: EUR 394.3 million) 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 1.0 million (previous year: EUR 1.7 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 three-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 two 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 adjusted by development improvements estimated by the management in light of comparable projects, market potentials and risks. In substantiated cases, the cash flow projections are extended to a period of up to 5 years.

Cash flows occurring after this detailed planning period of between three and five years are calculated with a growth rate of 0.00 percent to 2.00 percent and, finally, on the basis of a perpetual annuity withouth 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 Technology - Italy | Fair value* | 9.42 % | Post-tax interest rate |
| Gaming Technology - Online | Value-in-use | 14.62 % | Pre-tax interest rate |
| Gaming Technology - Spain | Value-in-use | 14.49 % | Pre-tax interest rate |
| Gaming Technology – United Kingdom | Fair value* | 7.52 % | Post-tax interest rate |
| Gaming Operations - Germany | Fair value* | 6.81 % | Post-tax interest rate |
| Gaming Operations - Italy | Fair value* | 9.82 % | Post-tax interest rate |
| Gaming Operations - Netherlands | Value-in-use | 11.21 % | Pre-tax interest rate |
| Gaming Operations - Online | Value-in-use | 10.37 % | Pre-tax interest rate |
| Gaming Operations - Spain | Fair value* | 9.88 % | Post-tax interest rate |
| Gaming Operations - Spain Casino | Value-in-use | 12.91 % | Pre-tax interest rate |
| Gaming Operations – United Kingdom | Value-in-use | 10.08 % | Pre-tax interest rate |
| Mobile Virtual Network | Value-in-use | 8.81 % | Pre-tax interest rate |
| Other | Fair value* and value-in-use | 4.16 % to 15.65 % | 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 book values 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, 2017, resulted in an impairment in the amount of EUR 3.8 million (previous year: EUR 1.7 million) due to business not having developed as expected. The impairments made relate entirely to the (group of) cash-generating units Gaming Technology – Lottery (EUR 3.8 million). This includes all companies of the Novomatic Lottery Group. The impairment is entirely attributable to the capitalized goodwill.

- The capital costs considered in the model (WACC before tax) are 4.16 percent.
- The growth rate considered in the model is 0.00 percent.

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).

In the previous year, no impairment was made in the Gaming Technology segment. No impairment was made in the Gaming Operations segment (previous year: EUR 1.7 million). Goodwill and intangible assets with expected useful lives resulting from acquisitions completed after September 30, 2017, was tested as of the balance sheet date on December 31, 2017. No required impairment was identified. The recognized recoverable amounts of the (groups of) cash-generating units therefore correspond to Level 3 of the valuation hierarchy.

For the (group of) cash-generating units Gaming Operations – Spain, the recoverable amount (fair value) exceeded the book value by EUR 9.9 million. If the discount rate were to increase to 10.48 percent, the exceeding amount would be consumed. For the (group of) cash-generating units Gaming Operations – Spain Casino, the recoverable amount (value-in-use) exceeded the carrying amount by EUR 2.2 million. If the discount rate were to increase to 15.50 percent, the exceeding amount would be consumed.

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

In addition to this, an event-driven impairment test for non-current assets concerned is carried out if indications (triggering events) exist. This resulted in impairments of EUR 51.9 million (previous year: EUR 31.6 million) and impairment reversals of EUR 9.7 million (previous year: EUR 8.6 million). The impairment made (with an individual value of over EUR 4.0 million) relate to the following (group of) cash-generating units: Gaming Technology – Austria with EUR 0.8 million (previous year: EUR 6.5 million), Gaming Technology – Lottery with EUR 6.7 million (previous year: EUR 0.4 million), Gaming Technology – Spain with EUR 5.5 million (previous year: EUR 0.1 million), Gaming Operations – Austria with EUR 2.3 million (previous year: EUR 6.5 million), and Gaming Operations – Germany with EUR 21.7 million (previous year: EUR 5.3 million). Impairment reversals (with an individual value of more than EUR 4.0 million) relate to the (group of) cash-generating units Gaming Operations – Italy with EUR 1.8 million (previous year: EUR 6.6 million) and Gaming Operations – Germany with EUR 7.2 million (previous year: EUR 1.1 million).

The following takes a closer look at selected markets.

**Gaming Operations/Technology – Germany**

In Germany, the First State Treaty amending the State Treaty on Gaming in Germany (Glücksspieländerungsstaatsvertrag, GlüÄndStV) came into effect from July 1, 2012. The First State Treaty amending the State Treaty regarding Gaming in Germany essentially involves creating distance regulations between gaming arcades and youth facilities. It also contains a ban on multiple concessions, and therefore limits one location to a maximum of 12 gaming devices. A (fundamental) transitional period of 5 years was granted to implement the restrictive new regulations, which means that the provisions were applicable from July 1, 2017.

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

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

In November 2014, a further amendment to the Gaming Ordinance was passed. This amendment includes further regulation aimed at improving the protection of players and minors, as well as preventing tax evasion and money laundering. A transitional period of four years was granted for the implementation of the Gaming Ordinance. This means that the gaming machines currently installed in gaming arcades will lose their existing protecting after four years and, from November 11, 2018, only devices as per the new Gaming Ordinance may be operated. The German subsidiaries have already been working for a while to develop attractive products that can be made available to the customers promptly upon expiration of the transitional period of the Gaming Ordinance.

The focus of the German Group companies in the Gaming Technology segment, LÖWEN ENTERTAINMENT GmbH and Crown Technologies GmbH, 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 11,000 gaming terminals to some 102,000 units. In total, the German companies active in the Gaming Technology segment achieved revenues of EUR 285.7 million against EUR 317.5 million in 2016. The impairment test in the Gaming Technology segment resulted in non-material devaluation.

In the Gaming Operations segment, NOVOMATIC already had a strong market position with the German operating companies Extra Games Entertainment GmbH, BPA Freizeit und Unterhaltungsbetriebe GmbH and Admiral Play GmbH. In March 2017, NOVOMATIC also acquired 100 percent of the shares in Casino Royal GmbH, Germany. The acquired company and its 10 subsidiaries operate a total of 126 gaming arcades with a regional focus on North Rhine-Westphalia, Lower Saxony and Rhineland-Palatinate. Furthermore, several acquisitions of smaller companies have been made since last year. In summary, revenues of the German Group companies allocated to the area of commercial electronic gaming increased from EUR 266.7 million to EUR 356.4 million compared to the same period of the previous year.

With the expiry of the transitional period as of June 30, 2017, the focus was on clarifying the continued existence of existing locations for the operating companies. With the exception of North Rhine-Westphalia (deadline November 30, 2017), as of July 1, 2017, there should be certainty about the permit situation. As a result of the slow pace of processing by the authorities, however, around one-third of the concessions have still not been definitively granted by the licensing authorities and operations are tolerated until the decision is made. In 248 cases, a new permit has been granted for the concessions and, in 497 cases, a hardship ruling has been granted for the operation of the concessions, which grants a temporary continuation of operations. Thus, as a result of the implementation of the State Treaty on Gaming Law and the accompanying state laws on gaming arcades, a noticeable market reduction has occurred since 2017 in the slot arcade sector. Slot arcades run by German operating companies to be downscaled or closed will inevitably have a negative impact on sales revenues. However, it was already evident in 2017 that the reduction of gaming terminals (through closed slot arcades or concession closures) leads to higher terminal utilization of the remaining gaming terminals and thus to a significant compensatory effect.

As in previous years, impairment tests were carried out in 2017 for the assets of the German operating companies. The scope of the impairment test included all slot arcades run by the operating companies active in the area of commercial machine gaming. Locations with final permit approval were included in the impairment test on this basis. Scenarios for site and concession closures were in the foreground for all other locations, with the impact assessment of the gaming facilities taking into account the experience gained in the application process in 2017.

In total, the required impairment loss amounted to EUR 21.7 million (previous year: EUR 5.3 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, buildings, factory and office equipment). The reevaluation led to the conclusion that a reversal of impairment was required for certain gaming facilities, as the assessment regarding the impact on the individual locations in question had changed. In total, the required impairment reversal amounted to EUR 7.2 million (previous year: EUR 1.1 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 after tax) are 6.81 percent.
- The growth rate considered in the model is 2.0 percent.

Impairments (less impairment reversals) of a cumulative EUR 70.6 million (previous year: EUR 56.1 million) were made over the past few years on on non-current assets in the Gaming Operations Segment. The carrying amount of the intangible assets and property, plant and equipment, amounts to EUR 190.8 million (previous year: EUR 99.9 million) as of the balance sheet date. Of the stated carrying amount, EUR 45.0 million is attributable to locations without final permit approval as of December 31, 2017.

**Gaming Technology – Lottery**

The NOVOMATIC Lottery Solutions Group (NLS) is a full service provider for international state-licensed lottery companies. The services offered range from the provision of lottery technology and customer-specific developments to the operative system operation and the full-scale daily operation of a lottery.

NOVOMATIC Lottery Solutions Group is divided into the Austrian company NOVOMATIC Lottery Solutions GmbH (wholly owned by NOVOMATIC AG) and seven other subsidiaries which operate internationally.

The basis for the emergence of the NLS Group was the acquisition of the Icelandic company Betware Holding hf. and its affiliated subsidiaries in 2013.

In 2017, contract negotiations were carried out with a notable material customer. Cooperation with this customer would have had a significant influence on business development in the NLS Group. In the second half of 2017, however, it became clear that cooperation with the customer would not be agreed upon on the expected scale. Based on this new knowledge, the entire business strategy was subjected to critical analysis, in which all existing projects were reevaluated, and the financial plans based on existing projects had to be revised.

As a result of these measures, the cash flow prognosis for the cash-generating unit Gaming Technology – Lottery was reduced. The comparison of book values 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, 2017, resulted in an impairment to the amount of EUR 3.8 million (previous year: EUR 0.0 million). The impairment is entirely attributable to the capitalized goodwill.

- The capital costs considered in the model (WACC before tax) are 4.16 percent.
- The growth rate considered in the model is 0.00 percent.

In addition, within the framework of the impairment test, a need for devaluation was determined for other intangible assets in the amount of EUR 0.7 million (previous year: EUR 0.4 million) and for property, plant and equipment in the amount of EUR 5.9 million (previous year: EUR 0.0 million).

In addition, as part of the loss-free valuation of contracts, it was determined that a provision for anticipated losses must be created. In each case, the planned EBITDA per project over the contractual time period is used to determine the provision for anticipated losses. The provision amounts to a total of EUR 23.9 million.

**Others – I-New Group**

The details regarding the impairment of the I-New Group are summarized in note (8.15).

## (7.4) Investment Property

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Balance as of 01/01 | 21.1 | 18.7 |
| Currency translation adjustments | -0.2 | 0.1 |
| Additions | 0.9 | 3.2 |
| Disposals | 0.0 | -0.3 |
| Depreciation and amortization | -0.8 | -0.6 |
| Reversal of impairment | 0.5 | 0.0 |
| **Balance as of 12/31** | **21.5** | **21.1** |

Investment property denotes land and buildings held but not used in business operations. Gross carrying amounts come to EUR 36.4 million (previous year: EUR 35.8 million) as well as cumulative depreciation to EUR 14.9 million (previous year: EUR 14.8 million). For the determination of the fair value, external valuation reports from independent regional experts were obtained in the 2015 fiscal year. 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 24.6 million (previous year: EUR 24.1 million).

Both income and expenditures from investment property were insignificant.

## (7.5) Investments in Associated Companies

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Balance as of 01/01 | 0.2 | 0.2 |
| Additions | 1.0 | 0.0 |
| Share of post-acquisition profits | 0.2 | 0.0 |
| **Balance as of 12/31** | **1.4** | **0.2** |

The companies recognized at equity 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 the NOVOMATIC Group in associated companies:

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Assets | 19.5 | 11.4 |
| Liabilities | 12.8 | 10.1 |
| Revenues | 6.4 | 0.8 |
| Results | 0.5 | 0.0 |

## (7.6) Financial assets

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Investments in affiliated companies, non-consolidated | 13.6 | 18.2 |
| Securities | 5.2 | 10.0 |
| Other investments | 252.4 | 209.6 |
| **Total** | **271.2** | **237.8** |

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 234.9 million, as no significant influence may be exerted over the two companies.

Details concerning the calculating of the fair values can be found under the notes to the financial instruments.

The fair value of investments in affiliated companies and other investments (except for ÖLG and CASAG) cannot be reliably evaluated, therefore, they are valued at their acquisition costs less any possible impairment.

The securities classified as available-for-sale primarily comprise stocks and promissory notes. They are not subject to any restraint of disposal.

## (7.7) Taxes

Current taxes:

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Current tax receivables | 31.4 | 34.0 |
| Non-current tax liabilities | 0.0 | 11.0 |
| Current tax liabilities | 71.7 | 33.9 |

Deferred taxes:

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Deferred tax assets | 98.6 | 93.2 |
| Deferred tax liabilities | -131.9 | -98.4[1] |
| **Total** | **-33.3** | **-5.2** |

[1] Adjustment of previous year's figures according to IFRS 3 "Business combinations"

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 | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Intangible assets | -96.1 | -77.7[1] |
| Property, plant and equipment | 33.7 | 34.5 |
| Financial assets | -7.9 | 2.5 |
| Other non-current assets | -3.1 | -2.6 |
| Inventories | 13.7 | 8.6 |
| Current financial assets | -0.2 | 0.9 |
| Trade and other receivables | 2.0 | -2.8 |
| Non-current financial liabilities | 0.3 | 1.5 |
| Other Non-Current Liabilities | 0.9 | 0.1 |
| Non-Current Provisions | 8.7 | 8.3 |
| Current Financial Liabilities | 0.1 | 0.6 |
| Current Provisions | -0.7 | 0.5 |
| Trade Payables and Other Liabilities | 10.8 | 7.4 |
| Tax loss carryforward | 4.6 | 13.1 |
| **Total** | **-33.3** | **-5.2** |

1) Adjustment of previous year's figures according to IFRS 3 "Business combinations"

Income tax charged directly to equity:

| EUR m | 2017 | 2016 |
|---|---|---|
| Revaluation of available-for-sale financial instruments | -12.2 | -2.0 |
| Revaluation of the net defined benefit liability | 3.5 | 3.6 |

Deferred taxes are both non-current at EUR -58.9 million (previous year: EUR -20.3 million) and current at EUR 25.6 million (previous year: EUR 15.1 million).

Pursuant to IAS 12, deferred tax assets on existing loss carryforwards were capitalized in the amount of EUR 4.6 million (previous year: EUR 13.1 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 2017, subsidiaries that incurred losses in the current year or the years before carried forward tax losses in the amount of EUR 375.7 million (previous year: EUR 237.2 million) that can no longer be utilized. Of the deferred taxes not recognized and amounting to EUR 91.2 million (previous year: EUR 57.7 million) for taxable losses, EUR 0.0 million will expire in 2018 (previous year: EUR 0.4 million in 2017) and EUR 113.4 million in the years after 2019 (previous year: EUR 57.4 million in the years after 2018).

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 968.5 million (previous year: EUR 1,001.4 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 | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Loans | 47.0 | 44.5 |
| Receivables from finance lease | 15.5 | 17.8 |
| Purchase price receivables | 14.3 | 8.0 |
| Deposits with gaming authorities | 21.2 | 21.1 |
| Miscellaneous other non-current assets | 32.5 | 25.4 |
| **Total** | **130.4** | **116.9** |

## (7.9) Inventories

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Raw materials and supplies | 135.6 | 93.1 |
| Work in progress | 28.6 | 24.0 |
| Finished goods and trade goods | 102.9 | 104.3 |
| Prepayments | 1.1 | 4.1 |
| **Total** | **268.1** | **225.5** |

The inventory total includes inventory write-downs amounting to EUR 72,3 million (previous year: EUR 67,5 million).

## (7.10) Trade Receivables, Other Receivables and Assets

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Trade receivables | 222.8 | 221.4 |
| Receivables from non-consolidated affiliated companies | 5.6 | 8.2 |
| Prepaid expenses | 44.3 | 39.7 |
| Purchase price receivables | 27.8 | 10.8 |
| Precious metals | 52.1 | 35.3 |
| Other tax receivables, excluding income taxes | 13.6 | 7.1 |
| Other current receivables and assets | 42.5 | 50.0 |
| **Total** | **408.7** | **372.5** |

The reported trade receivables include impairment charges amounting to EUR 36,3 million (previous year: EUR 30,4 million). The impairment expenses for the reporting period are recognized as other operating expenses in the profit and loss account.

The age structure of the trade receivables is as follows:

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Receivables without valuation allowance | | |
| not overdue | 118.2 | 107.8 |
| overdue up to 3 months | 42.9 | 47.8 |
| overdue between 3 and 6 months | 7.2 | 9.4 |
| overdue for more than 6 months | 13.5 | 12.0 |
| Receivables with valuation allowance | 41.0 | 44.4 |
| **Total** | **222.8** | **221.4** |

The trade receivables shown above disclose the amounts that are overdue as of the balance sheet date. The Group has not created any provisions for write-downs for these amounts as no material changes to the creditworthiness have been detected, and recoverability of outstanding amounts is also expected.

Receivables from non-consolidated affiliated companies contain trade receivables of EUR 3.2 million (previous year: EUR 7.6 million).

Precious metals with a carrying amount of EUR 52.1 million (previous year: EUR 35.3 million) are measured through profit and loss at the current market value (fair value hierarchy – level 2). The change in value of EUR -0.8 million (previous year: EUR 3.9 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 | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Securities | 11.4 | 9.2 |
| Loans | 2.9 | 3.6 |
| Receivables from finance lease | 8.8 | 10.8 |
| Derivatives | 0.0 | 6.1 |
| Other current financial assets | 2.3 | 1.7 |
| **Total** | **25.4** | **31.3** |

## (7.12) Cash and cash equivalents

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Cash | 171.3 | 141.7 |
| Bank balances | 728.4 | 736.1 |
| **Total** | **899.7** | **877.8** |

The stated cash in the amount of EUR 171.3 million (previous year: EUR 141.7 million) is largely tied up as cash reserves and base filling of the gaming machines at the various gaming establishments.

The bank balances as of December 31, 2016 included a partial amount of EUR 65.3 million, which was deposited for the potential acquisition of direct and indirect shares in Casinos Austria Aktiengesellschaft. These funds were freely available again in February 2017.

Bank balances comprise foreign currencies of AUD 463.8 million (equivalent to EUR 301.4 million), which were earmarked for the acquisition of around 52 percent of shares of Ainsworth Technology Ltd. (Australia) 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 comprise the revaluation of net debt from defined benefit obligations amounting to EUR -9.6 million (previous year: EUR -10.0 million), with the change of EUR 0.4 million (previous year: EUR -2.1 million) being stated in other comprehensive income.

## (7.16) Revaluation Reserve

The revaluation reserve includes the revaluation of the available-for-sale financial instruments with EUR 35.8 million (previous year: EUR 5.2 million). The change of EUR 30.6 million (previous year: EUR 13.8 million) is reported under other comprehensive income. In addition, the cash flow hedge result of EUR -12.5 million (previous year: EUR 0.0 million) is also shown under revaluation reserve.

## (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 2017 fiscal year, changes in the currency translation adjustment amount to EUR -14.3 million (previous year: EUR -28.5 million) in other comprehensive income. The final consolidation led to a reclassification of EUR 2.2 million (previous year: EUR -1.9 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 0.3 million (previous year: EUR 0.0 million) is stated in other comprehensive income.

Subsidiaries with non-controlling interests:

| EUR m | 12/31/2017 | | | 12/31/2016 | | |
|---|---|---|---|---|---|---|
| | 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** | | | | | | |
| Electro System S.p.A., Italy | 25 % | 0.0 | 4.6 | 25 % | 1.3 | 5.6 |
| GiGames S.L., Spain | 20 % | -0.8 | 6.5 | 20 % | 0.1 | 7.2 |
| **Gaming Operations** | | | | | | |
| Admiralu Klubs SIA, Latvia | 40 % | 4.2 | 22.3 | 40 % | 3.0 | 19.3 |
| Alfor SIA, Latvia | 40 % | 6.2 | 17.8 | 40 % | 5.9 | 16.4 |
| Automáticos Surmatic S.L., Spain | 40 % | 0.1 | 5.7 | 40 % | 0.0 | 6.2 |
| Basque Gaming S.L., Spain | 49 % | 2.3 | 25.5 | | | |
| **Marginal non-controlling interest** | | -8.9 | 9.0 | | -3.6 | 10.6[1] |
| | | **3.1** | **91.4** | | **6.8** | **65.3** |

[1] Adjustment of previous year's figures according to IFRS 3 "Business combinations"

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 | | | | | | 12/31/2017 |
|---|---|---|---|---|---|---|
| | 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 profit | 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 | -1.1 | 1.1 | 9.0 | 22.0 | 3.1 | 7.1 |
| from investing activities | -0.1 | 0.1 | -1.0 | -3.2 | -1.3 | -25.9 |
| from financing activities | -1.1 | 1.3 | -1.2 | -4.8 | -0.5 | 0.0 |
| Net change in cash and cash equivalents | -2.4 | 2.5 | 6.8 | 13.9 | 1.3 | -18.8 |

| EUR m | | | | | | 12/31/2016 |
|---|---|---|---|---|---|---|
| | 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 | 18.9 | 17.5 | 42.1 | 30.9 | 17.6 | 0.0 |
| Current assets | 13.7 | 28.6 | 11.1 | 19.1 | 2.2 | 0.0 |
| Non-current liabilities | 5.9 | 6.5 | 3.3 | 1.6 | 3.7 | 0.0 |
| Current liabilities | 4.5 | 11.9 | 1.7 | 7.5 | 0.8 | 0.0 |
| **Profit and loss account** | | | | | | |
| Revenues | 18.2 | 25.1 | 25.5 | 69.0 | 10.0 | 0.0 |
| Annual profit | 5.2 | 0.1 | 7.6 | 14.6 | 0.1 | 0.0 |
| Dividends paid to non-controlling interest | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 |
| **Cash flow** | | | | | | |
| from operating activities | -5.0 | 2.2 | 10.1 | 20.7 | 2.2 | 0.0 |
| from investing activities | -5.5 | -1.0 | -0.6 | -8.4 | -0.7 | 0.0 |
| from financing activities | -0.1 | 1.4 | -0.8 | 0.0 | -0.1 | 0.0 |
| Net change in cash and cash equivalents | -10.7 | 2.6 | 8.7 | 12.3 | 1.5 | 0.0 |

During the 2017 fiscal year, the Group increased its share of ownership in some subsidiaries.

## (7.19) Non-current financial liabilities

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Bonds | 939.2 | 937.8 |
| Bank loans | 878.1 | 443.1 |
| Obligations under finance leases | 2.0 | 6.0 |
| Other non-current financial liabilities | 9.7 | 8.2 |
| **Total** | **1,829.0** | **1,395.1** |

NOVOMATIC AG issued bonds with the following terms and conditions:

| | | | |
|---|---|---|---|
| Nominal value | 250 EUR m | 200 EUR m | 500 EUR 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 12/31/2017 | EUR 104.111 | EUR 108.316 | EUR 103.314 |
| 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 6.2 million) is deducted from the bond liabilities.

The fair value of bonds amounts to EUR 989.3 million (previous year: EUR 1,145.0 million), of which EUR 989.3 million (previous year: EUR 991.5 million) are for the non-current portion and EUR 0.0 million (previous year: EUR 153.5 million) for the current portion.

The fair value of bank loans amounts to EUR 880.5 million (previous year: EUR 449.7 million). Bank loans with a term of between one and five years amount to EUR 804.8 million (previous year: EUR 350.6 million) and to EUR 73.1 million (previous year: EUR 92.5 million) with a term of over five years.

The weighted average interest rate comes to 2.39 percent (previous year: 2.29 percent).

## (7.20) Non-Current Provisions

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Provision for severance payments | 30.2 | 26.2 |
| Provision for Pensions | 19.0 | 19.9 |
| Provision for Jubilee Payments | 6.4 | 6.2 |
| Other Non-Current Provisions | 28.1 | 13.8 |
| **Total** | **83.8** | **66.1** |

## 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 1.30 percent to 1.89 percent (previous year: 1.31 percent to 1.58 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 | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Current service cost | 4.8 | 4.2 |
| Interest cost | 1.0 | 0.4 |
| **Expense for the year** | **5.8** | **4.6** |

Provision for severance payments shown on the balance sheet:

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Balance as of 01/01 | 26.2 | 20.7 |
| **Amounts recognized in the profit and loss account** | | |
| Current service cost (+) | 4.8 | 4.2 |
| Interest cost (+) | 1.0 | 0.4 |
| **Remeasurement of the period (other comprehensive income)** | | |
| Actuarial gains/losses from the change in demographic assumptions | 1.0 | 0.7 |
| Actuarial gains/losses from the change in financial assumptions | -0.5 | 1.7 |
| Payments (-) | -2.7 | -2.4 |
| Change in the consolidation scope | 0.4 | 0.8 |
| **Present value of obligations as of 12/31** | **30.2** | **26.2** |

Sensitivity analysis for severance payments:

| | Change of the parameter | Change in the present value of obligation |
|---|---|---|
| EUR m | | 12/31/2017 |
| Discount rate | 0.5 % | -1.0 |
| Discount rate | -0.5 % | 0.9 |
| Salary increase | 0.5 % | 0.8 |
| Salary increase | -0.5 % | -1.0 |

As of December 31, 2017, the average maturity of severance obligations is 10 to 14 years (previous year: 10 to 15 years), depending on the country. Payments in the amount of EUR 5.8 million (previous year: EUR 3.1 million) are expected for the next fiscal year.

## Provision for Pensions

Due to individual agreements, some Group companies are obligated to accord a pension allowance to Executive Board members and employees beginning with the date of their retirement. The amounts of such entitlements depend on years of service and final compensation levels. Measurement was made pursuant to IAS 19 using the projected unit credit method with an interest rate of 1.89 percent to 1.95 percent (previous year: 1.58 percent to 1.60 percent) and a value adjustment of 2.0 percent to 3.0 percent (previous year: 2.0 percent to 3.0 percent).

Expenses for pensions recognized as personnel cost:

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Current service cost | 0.4 | 0.1 |
| Interest cost | 0.3 | 0.4 |
| **Expense for the year** | **0.7** | **0.5** |

Provision for pensions shown on the balance sheet:

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Balance as of 01/01 | 19.9 | 18.4 |
| **Amounts recognized in the profit and loss account** | | |
| Current service cost (+) | 0.4 | 0.1 |
| Interest cost (+) | 0.3 | 0.4 |
| **Remeasurement of the period (other comprehensive income)** | | |
| Actuarial gains/losses from the change in financial assumptions | -1.1 | 1.4 |
| Payments (-) | -0.5 | -0.5 |
| **Present value of obligations as of 12/31** | **19.0** | **19.9** |

Sensitivity analysis for pensions:

| | Change of the parameter | Change in the present value of obligation |
|---|---|---|
| EUR m | | 12/31/2017 |
| Discount rate | 0.5 % | -2.4 |
| Discount rate | -0.5 % | 2.3 |
| Pension increase | 0.5 % | 1.2 |
| Pension increase | -0.5 % | -1.0 |

As of December 31, 2017, the average maturity of pension obligations is between 2 and 14 years (previous year: between 3 and 15 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 1.55 percent to 1.95 percent (previous year: 1.58 percent to 1.70 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 3 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 | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Current service cost | 1.2 | 1.0 |
| Interest cost | 0.1 | 0.1 |
| Past service cost | -0.1 | 1.2 |
| Net actuarial gains/losses | -0.9 | -0.1 |
| **Expense for the year** | **0.3** | 2.3 |

Provision for jubilee payments shown on the balance sheet:

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Balance as of 01/01 | 6.2 | 4.8 |
| **Amounts recognized in the profit and loss account** | | |
| Current service cost (+) | 1.2 | 1.0 |
| Interest cost (+) | 0.1 | 0.1 |
| Past service cost | -0.1 | 1.2 |
| Net actuarial gains/losses | -0.9 | -0.1 |
| Payments (-) | -0.3 | -0.8 |
| Change in scope of consolidation | 0.2 | 0.0 |
| **Present value of obligations as of 12/31** | **6.4** | 6.2 |

## Other Non-Current Provisions

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

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Balance as of 01/01 | 13.8 | 8.2 |
| Currency translation adjustments | -0.2 | -0.5 |
| Changes in the scope of consolidation | 2.6 | 4.2 |
| Utilization | -1.7 | -1.5 |
| Release | -3.2 | -0.5 |
| Allocation | 16.7 | 4.1 |
| Compounding | 0.1 | -0.1 |
| **Balance of provisions as of 12/31** | **28.1** | **13.8** |

## (7.21) Other Non-Current Liabilities

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Deferred income | 0.5 | 0.5 |
| Other Non-Current Liabilities | 5.3 | 3.8 |
| Purchase price obligations | 47.7 | 15.3 |
| **Total** | **53.5** | **19.6** |

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 | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Bond | 0.0 | 147.7 |
| Current bank liabilities | 62.7 | 58.9 |
| Obligations under finance leases (current portion) | 0.5 | 2.4 |
| Current financial liabilities | 2.2 | 0.9 |
| Derivatives | 6.6 | 0.9 |
| **Total** | **72.0** | **210.8** |

## (7.23) Current Provisions

| EUR m | Other provisions for personnel | Warranties | Obligations for legal issues | Other current provisions | Total |
|---|---|---|---|---|---|
| As of 12/31/2016 | 26.2[1] | 3.6 | 6.2 | 32.7 | 68.8 |
| Currency translation adjustments | -0.4 | 0.0 | 0.0 | -0.4 | -0.8 |
| Changes in the scope of consolidation | 2.1 | 0.0 | 0.0 | 1.0 | 3.1 |
| Utilization | -20.2 | -0.2 | -3.0 | -23.1 | -46.6 |
| Release | -0.8 | 0.0 | -0.7 | -6.5 | -8.0 |
| Allocation | 18.6 | 0.6 | 3.5 | 53.0 | 75.7 |
| Assets held for sale | 0.0 | 0.0 | 0.0 | -0.2 | -0.3 |
| Reclassifications | -9.2 | 0.0 | 0.0 | 0.0 | -9.2 |
| **As of 12/31/2017** | **16.4** | **4.0** | **6.1** | **56.4** | **82.8** |

[1] Adjustment of previous year's figures according to IFRS 3 "Business Combinations"

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

## (7.24) Trade Payables and Other Liabilities

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Trade payables | 109.5 | 113.5 |
| Payables to non-consolidated affiliated companies | 0.7 | 1.1[1] |
| Advance payments received | 9.1 | 3.6 |
| Deferred income | 42.7 | 35.3 |
| Liabilities to employees | 51.6 | 44.3 |
| Other liabilities from social security obligations | 13.8 | 11.6 |
| Other tax liabilities, excluding income taxes | 120.9 | 104.9 |
| Purchase price obligations | 23.0 | 28.1[1] |
| Other current liabilities | 58.5 | 63.5 |
| **Total** | **429.8** | **406.0** |

[1] Adjustment of previous year's figures according to IFRS 3 "Business Combinations"

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 or financial investments not yet due.

Other current liabilities consist mainly of deposits received, outstanding invoices, accrued interests and liabilities from pending games and bets.

## (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 | 2017 | 2016 |
|---|---|---|
| Sales revenues | 223.1 | 249.9 |
| Income from slot machines | 1,239.8 | 1,028.9 |
| Income from rent and management services | 589.5 | 607.0 |
| Betting revenues | 141.4 | 117.8 |
| eBusiness income | 192.4 | 159.8 |
| Income from food and beverage | 40.9 | 32.4 |
| Other sales | 115.5 | 93.5[1] |
| Sales reductions | -15.2 | -15.3 |
| **Total** | **2,527.3** | **2,274.0** |

[1] Adjustment of previous year's figures in accordance with IAS 8

### (8.2) Gaming taxes and betting fees

| EUR m | 2017 | 2016 |
|---|---|---|
| Gaming taxes | -278.5 | -224.7 |
| Betting fees | -15.7 | -13.6 |
| **Total** | **-294.2** | **-238.3** |

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

| EUR m | 2017 | 2016 |
|---|---|---|
| Changes in inventories of finished goods and work in progress | 6.0 | 21.0 |
| Own work capitalized | 233.0 | 194.6 |
| **Total** | **239.0** | **215.6** |

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





### (8.4) Other Operating Income

| EUR m | 2017 | 2016 |
|---|---|---|
| Income from the disposal of intangible assets and property, plant and equipment | 22.0 | 16.4[1] |
| Foreign exchange gains | 8.0 | 6.6[1] |
| Sale from companies | 46.9 | 30.4 |
| Other operating income | 58.1 | 54.4[1] |
| **Total** | **134.9** | **107.9** |

[1] Adjustment of intermediate consumption in accordance with IAS 8

The income from final consolidation 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 shipping, tronc, insurance and other ancillary revenues.

### (8.5) Cost of Material and Other Purchased Services

| EUR m | 2017 | 2016 |
|---|---|---|
| Cost of material | -361.1 | -349.6[1] |
| Purchased services | -10.8 | -6.5[1] |
| **Total** | **-371.9** | **-356.1** |

[1] Adjustment of intermediate consumption in accordance with IAS 8

### (8.6) Personnel costs

| EUR m | 2017 | 2016 |
|---|---|---|
| Wages and salaries | -612.7 | -540.4[1] |
| Expenses for severance payments | -10.9 | -9.9 |
| Expenses for pensions | -5.1 | -4.4 |
| Cost of statutory social security, payroll-related taxes and mandatory contributions | -122.2 | -103.4[1] |
| Other social expenses | -12.8 | -10.4[1] |
| **Total** | **-763.7** | **-668.4** |

[1] Adjustment of intermediate consumption in accordance with IAS 8

Expenses for severance payments include EUR 2.1 million (previous year: EUR 1.9 million) and expenses for pensions include EUR 2.3 million (previous year: EUR 1.8 million) for defined contribution plans.

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

| | 2017 | 2016 |
|---|---|---|
| Salaried employees | 8,847 | 8,619 |
| Workers | 15,568 | 14,772 |
| **Total** | **24,415** | **23,391** |

## (8.7) Amortization, Depreciation, Impairment and Reversal of Impairment for Intangible Assets, Property, Plant and Equipment, and Investment Property

| EUR m | 2017 | 2016 |
|---|---|---|
| Scheduled depreciation/amortization | -331.0 | -296.4[1] |
| Impairment | -55.7 | -33.3 |
| Impairment reversals | 9.7 | 8.6 |
| **Total** | **-377.0** | **-321.1** |

[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 23.1 million (previous year: EUR 9.1 million) relate to the "Gaming Technology" segment, EUR 31.1 million (previous year: EUR 24.2 million) to the "Gaming Operations" segment and EUR 1.5 million (previous year: EUR 0.0 million) to "Other". Impairment reversals of EUR 0.2 million (previous year: EUR 0.8 million) relate to the "Gaming Technology" segment, EUR 9.0 million (previous year: EUR 7.8 million) to the "Gaming Operations" segment and EUR 0.5 million (previous year: EUR 0.0 million) to the "Other" segment.

## (8.8) Other operating expenses

| EUR m | 2017 | 2016 |
|---|---|---|
| Other taxes, fees and charges | -82.4 | -75.7[1] |
| Maintenance | -52.6 | -44.2 |
| Energy costs | -37.3 | -31.9 |
| Telephone, communications | -17.9 | -14.6[1] |
| Rental expense for real estate | -149.9 | -120.8[1] |
| Rental expense for slot machines | -17.7 | -9.3 |
| Rental expense for other assets | -11.7 | -9.2 |
| Insurance costs | -6.6 | -6.2[1] |
| Vehicle fleet operation costs | -17.4 | -15.7 |
| Legal, audit and consulting costs | -46.0 | -43.4[1] |
| Other services received | -43.4 | -43.9[1] |
| Advertising costs | -114.5 | -108.6[1] |
| Traveling costs | -17.9 | -15.5[1] |
| Development costs | -15.0 | -23.3 |
| License costs | -16.0 | -13.8 |
| Commissions | -18.0 | -16.0 |
| Partners' shares | -23.2 | -23.0 |
| Bad debt and valuation adjustment | -13.9 | -10.2 |
| Loss from the disposal of property, plant and equipment | -5.9 | -4.4[1] |
| Provision for losses from orders | -24.1 | 0.0 |
| Security costs | -21.4 | -15.6 |
| Foreign exchange losses | -27.1 | -3.7 |
| Disposal from companies | -0.8 | 0.0 |
| Other expenses | -111.8 | -103.3[1] |
| Release of provisions | 8.1 | 3.8[1] |
| **Total** | **-884.6** | **-748.3** |

[1] Adjustment of previous year's figures in accordance with 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 and administrative costs.

## (8.9) Interest income

| EUR m | 2017 | 2016 |
|---|---|---|
| Interest income | 8.1 | 6.6 |
| Interest income from finance lease receivables | 1.5 | 1.2 |
| **Total** | **9.6** | **7.8** |

## (8.10) Other Financial Income

| EUR m | 2017 | 2016 |
|---|---|---|
| Income from the disposal of financial assets | 6.6 | 0.6 |
| Investment income from other investments | 15.6 | 3.8 |
| Fair value valuation of interest rate swaps | 0.2 | 0.0 |
| Other financial income | 9.0 | 8.2 |
| **Total** | **31.4** | **12.6** |

The financial investment in Österreichische Lotterien Gesellschaft mbH (ÖLG) resulted in investment income amounting to EUR 3.9 million (previous year: EUR 3.5 million). Other investment income, at around EUR 11.0 million, results from investments in shares of Austrian banks and international companies.

## (8.11) Interest expenses

| EUR m | 2017 | 2016 |
|---|---|---|
| Interest expenses | -10.0 | -10.5[1] |
| Interest expenses on bonds | -30.8 | -26.3 |
| Interest expenses on obligation under finance lease | 0.0 | -0.2[1] |
| **Total** | **-40.8** | **-37.0** |

[1] Adjustment of previous year's figures in accordance with IAS 8

## (8.12) Other financial expenses

| EUR m | 2017 | 2016 |
|---|---|---|
| Losses from the disposal of financial assets | -1.1 | -0.8 |
| Impairment of financial assets, loans and securities | -3.3 | -4.9 |
| Fair value valuation of interest rate swaps | 0.0 | -0.8 |
| Other financial expenses | -10.1 | -5.6 |
| **Total** | **-14.5** | **-12.1** |

## (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 -7.4 million (previous year: EUR -5.9 million).

## (8.14) Tax expenses

| EUR m | 2017 | 2016 |
|---|---|---|
| Current income tax expense | -101.9 | -84.2[1] |
| Current income tax relating to other periods | -21.1 | 0.1 |
| Deferred tax income/expense | 20.8 | 9.1[1] |
| **Total** | **-102.1** | **-75.0** |

[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) to the effective tax rate for the 2017 fiscal year is as follows:

| EUR m | 2017 | 2016 |
|---|---|---|
| **Earnings before taxes** | **188.3** | **230.7[1]** |
| **Computed income tax expense of 25 percent (previous year: 25 percent)** | **-47.3** | **-57.9[1]** |
| **Adjustment of the computed income tax expense** | | |
| Adjustment for differing foreign tax rates | 0.5 | -4.9[1] |
| Effects of non-taxable income | 9.0 | 18.6[1] |
| Effects of non-deductible expenses | -10.1 | -19.5[1] |
| Effects of tax advantages | 3.4 | 3.7 |
| Actual income tax relating to other periods | -20.7 | 0.1 |
| Effects of change in income tax rate on deferred taxes | 4.2 | 1.3 |
| Effects of initially not recognized and unused tax losses and possible offsets on the actual tax expense | 6.4 | 4.5 |
| Effects of initially not recognized and unused tax losses and possible offsets on the deferred tax expense | 1.2 | 1.7 |
| Effects of adjustments or of the reversal of a previous adjustment of a deferred tax asset | -5.6 | -3.4 |
| Effects of unused tax losses and possible offsets not recognized as deferred taxes | -38.7 | -16.9 |
| Withholding tax | 2.5 | 0.6[1] |
| Other | -6.9 | -2.8[1] |
| **Effective tax expense** | **-102.2** | **-75.0** |
| Effective tax rate in % | 54.3 % | 32.5 % |

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

Income taxes included in the other comprehensive income:

| EUR m | 2017 | 2016 |
|---|---|---|
| Revaluation of available-for-sale financial instruments | -10.2 | -4.6 |
| Revaluation of the net defined benefit liability | -0.1 | 0.8 |

## (8.15) Result from Discontinued Business Segments

In 2013, NOVOMATIC AG acquired approximately 76.8 percent of the shares in I-New Group. The company consists of the Austrian I-New Unified Mobile Solutions AG headquartered in Mattersburg and its international subsidiaries.

The I-New Group is one of the leading global providers 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). The solutions target the mass market as well as the niche market. The company is now present on all continents with its product range and generates about 80 percent of its sales outside the European Union (mainly in Latin America and Asia).

In the 2017 fiscal year, it emerged that quality defects and delays caused by suppliers will lead to the considerably delayed completion of a major expansion stage of the technology solution offered by I-New.

While the revenues from multi-year business contracts showed a stable development (EUR 11.9 million in 2015, EUR 12.3 million in 2016 and EUR 12.0 million in 2017), there was a drop in revenue from new business projects in the amount of around 80 percent (EUR 7.6 million in 2016 compared to EUR 1.3 million in 2017) due to the aforementioned delay. In Q4 2017, the developmental backlog was considered overcome.

Due to the loss of revenues from planned new projects, the I-New Group faced an unexpected liquidity shortage in Q2 2017, thus necessitating not only the initiation of a comprehensive operational restructuring process, but also the carrying out of an impairment test in accordance with IAS 36 in the context of the half-yearly financial reporting. The latter led to an impairment of goodwill and other intangible assets totaling EUR 12.4 million.

The business environment of I-New in Latin America was characterized by increasingly fierce competition among MVNO customers in Mexico and Colombia along with challenging economic conditions in Peru. The resulting consequence was a bad debt allowance of EUR 5.8 million. The reasons for this allowance included a contract renegotiation with an existing customer and a debt waiver as a result of a change of ownership.

In November 2017, the strategic decision was made to sell the majority stake in I-New Group, as a result of which a structured sales process was started. According to current estimates, the signing of the sale of shares is expected in the second half of 2018.

Based on the current situation, the classification, presentation and measurement provisions of IFRS 5 were applied, meaning that the I-New Group was presented in the 2017 Consolidated Financial Statement as disposal group. Accordingly, the assets and liabilities are reported separately in the balance sheet and the result from the discontinued operation in the income statement.

### Assets and Liabilities of a Group Held for Sale

| EUR m | 2017 | 2016 |
|---|---|---|
| Assets of a Group Held for Sale | 20.4 | 0.0 |
| Liabilities of a Group Held for Sale | 16.2 | 0.0 |

In order to collateralize loans, liens were registered on property, plant and equipment (particularly property) in the amount of EUR 1.3 million.





### Profit/loss from discontinued operations

| EUR m | 2017 | 2016 |
|---|---|---|
| Revenues | 12.9 | 20.2 |
| Other sales | 0.7 | 1.1 |
| Expenses | -22.9 | -16.6 |
| Depreciation/impairments | -14.4 | -3.3 |
| **Earnings before taxes** | **-23.7** | **1.3** |
| Attributable income tax expense | -1.2 | -0.7 |
| **Profit/loss from discontinued operations** | **-24.8** | **0.7** |

### Cash flow from discontinued operations

| EUR m | 2017 | 2016 |
|---|---|---|
| Cash flow from operating activities | -5.2 | 2.2 |
| Cash flow from investing activities | -3.2 | -4.6 |
| Cash flow from financing activities | 5.9 | 0.9 |
| **Total** | **-2.4** | **-1.5** |

## (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 35 million (previous year: EUR 10.8 million) and liabilities or charges from the acquisition of companies of EUR 0.3 million (previous year: EUR 27.8 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, and the online B2B business.

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

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

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

Segment assets consist mainly of intangible assets, 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.

As part of the Consolidated Financial Statement of NOVOMATIC AG, in coordination with the local management in Italy, the current operating activities as well as the operating activities planned in the budget period for Admiral Gaming Network S.r.l. were reevaluated. Admiral Gaming Network S.r.l. is one of 13 Italian concessionaires responsible for networking VLTs and AWPs. The operating activity is therefore limited to the provision of licenses/concessions for the operation of gaming machines (AWP + VLT) in the Italian market.

Based on the findings of this new evaluation, it was decided to allocate the company to the Gaming Technology segment instead of the Gaming Operations segment.

## Segment Revenues

01–12/2017

| EUR m | Gaming Technology | Gaming Operations | Other | Reconciliation | Total |
|---|---|---|---|---|---|
| External revenues | 939.5 | 1,587.2 | 0.6 | 0.0 | 2,527.3 |
| Intra-segment revenues | 154.2 | 15.2 | 7.6 | -176.9 | 0.0 |
| **Total revenues** | **1,093.7** | **1,602.4** | **8.2** | **-176.9** | **2,527.3** |

01–12/2016

| EUR m | Gaming Technology | Gaming Operations | Other | Reconciliation | Total |
|---|---|---|---|---|---|
| External revenues | 947.3[1] | 1,326.4[1] | 0.3[1] | 0.0 | 2,274.0 |
| Intra-segment revenues | 137.2[1] | 9.3[1] | 7.2 | -153.8[1] | 0.0 |
| **Total revenues** | **1,084.5** | **1,335.8** | **7.5** | **-153.8** | **2,274.0** |

1) Adjustment of previous year's figures according to IAS 8 or IFRS 3 "Business combinations"

## Segment Result

01–12/2017

| EUR m | Gaming Technology | Gaming Operations | Other | Reconciliation | Total |
|---|---|---|---|---|---|
| **Segment result (EBIT)** | **110.6** | **97.3** | **-6.0** | **7.9** | **209.8** |
| Financial result | | | | | -21.5 |
| Earnings before taxes | | | | | 188.3 |
| Tax expenses | | | | | -102.1 |
| **Net income from continued operations** | | | | | **86.2** |

01–12/2016

| EUR m | Gaming Technology | Gaming Operations | Other | Reconciliation | Total |
|---|---|---|---|---|---|
| **Segment result (EBIT)** | **185.1[1]** | **101.3[1]** | **-11.6[1]** | **-9.5** | **265.3** |
| Financial result | | | | | -34.6 |
| Earnings before taxes | | | | | 230.7 |
| Tax expenses | | | | | -75.0 |
| **Net income from continued operations** | | | | | **155.7** |

1) Adjustment of previous year's figures according to IAS 8 or IFRS 3 "Business combinations"

## Segment Assets and Liabilities

2017

| EUR m | Gaming Technology | Gaming Operations | Other | Reconciliation | Non-allocated assets/liabilities | Total |
|---|---|---|---|---|---|---|
| Segment assets | 1,501.7 | 1,282.5 | 76.0 | -89.1 | 1,328.6 | 4,099.7 |
| Segment liabilities | 375.3 | 304.5 | 6.5 | -89.1 | 2,173.6 | 2,770.8 |

2016

| EUR m | Gaming Technology | Gaming Operations | Other | Reconciliation | Non-allocated assets/liabilities | Total |
|---|---|---|---|---|---|---|
| Segment assets | 1,393.2[1] | 1,007.7[1] | 98.4 | -84.1[1] | 1,270.6[1] | 3,685.9 |
| Segment liabilities | 328.0[1] | 269.9[1] | 15.5 | -80.9[1] | 1,777.2[1] | 2,309.7 |

[1] Adjustment of previous year's figures according to IAS 8 or IFRS 3 "Business combinations"

## Other Segment Information

2017

| EUR m | Gaming Technology | Gaming Operations | Other | Reconciliation | Total |
|---|---|---|---|---|---|
| Scheduled depreciation/ amortization | -192.4 | -135.1 | -3.6 | 0.0 | -331.0 |
| Impairment | -23.1 | -31.1 | -1.5 | 0.0 | -55.7 |
| Impairment reversals | 0.2 | 9.1 | 0.5 | 0.0 | 9.7 |
| Investments | 264.2 | 162.0 | 15.0 | 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 |

2016

| EUR m | Gaming Technology | Gaming Operations | Other | Reconciliation | Total |
|---|---|---|---|---|---|
| Scheduled depreciation/ amortization | -192.5[1] | -100.8[1] | -3.2[1] | 0.0 | -296.4 |
| Impairment | -9.1 | -24.2 | 0.0 | 0.0 | -33.3 |
| Impairment reversals | 0.7 | 7.9 | 0.0 | 0.0 | 8.6 |
| Investments | 253.7[1] | 168.4[1] | 12.2 | 0.0 | 434.3 |
| Investments through business combinations | 44.9[1] | 277.3[1] | 0.0 | 0.0 | 322.2 |
| Carrying amount of associated companies | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 |

[1] Adjustment of previous year's figures according to IAS 8 or IFRS 3 "Business combinations"

## Geographical Information

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

01–12/2017

| EUR m | Austria | Germany | Italy | United Kingdom | Spain | Eastern Europe | Other countries | Online | Total segment assets | Not assigned assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | 335.9 | 722.4 | 352.5 | 265.0 | 126.4 | 396.4 | 161.5 | 167.1 | 0.0 | 0.0 | 2,527.3 |
| Assets | 239.8 | 418.6 | 384.9 | 321.7 | 188.9 | 254.6 | 77.2 | 37.3 | 1,923.1 | 2,176.6 | 4,099.7 |

01–12/2016

| EUR m | Austria | Germany | Italy | United Kingdom | Spain | Eastern Europe | Other countries | Online | Total segment assets | Not assigned assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | 299.7[1] | 656.9[1] | 316.8[1] | 254.7 | 80.4[1] | 353.6[1] | 163.2[1] | 148.7[1] | 0.0[1] | 0.0 | 2,274.0 |
| Assets | 270.9[1] | 249.1[1] | 344.4[1] | 334.0 | 106.2[1] | 247.2[1] | 85.5[1] | 38.3[1] | 1,675.6[1] | 2,010.3 | 3,685.9 |

[1] Adjustment of previous year's figures according to IAS 8 or IFRS 3 "Business combinations"

Revenues are allocated to the individual regions based on the domicile of the company recording such revenues. The geographical region Online covers all companies whose business activity is mainly or exclusively Online-Area.

## (11) Notes on Financial Instruments

| 12/31/2017<br>EUR m | Category acc. to IAS 39 | | | | Classification acc. to IFRS 7 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Fair value | | | | Amortized costs | | | | | | | |
| | Loans and receivables | Financial assets available for sale | Financial liabilities at amortized costs | Derivatives and financial liabilities at fair value | Securities | Financial investments | Derivatives | Purchase obligations | 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 |
| **Financial assets** | | | | | | | | | | | | | | | | |
| Financial assets | | 271.2 | | | 5.2 | 234.9 | | | | | | | | | | 31.1 |
| Other non-current assets | 121.2 | | | | | | | | | 15.5 | 61.3 | | | | 44.5 | |
| Trade receivables, other receivables and assets | 272.4 | | | | | | | | | 228.4 | | | | | 44.0 | |
| Current financial assets | 13.5 | 11.4 | | 0.0 | 11.4 | | 0.0 | | | 8.8 | 2.9 | | | | 1.8 | |
| Cash and cash equivalents | 899.7 | | | | | | | | 899.7 | | | | | | | |
| **TOTAL** | **1,306.8** | **282.6** | **0.0** | **0.0** | **16.6** | **234.9** | **0.0** | **0.0** | **899.7** | **252.6** | **64.2** | **0.0** | **0.0** | **0.0** | **90.3** | **31.1** |
| **Financial liabilities** | | | | | | | | | | | | | | | | |
| Non-current financial liabilities | | | 1,829.0 | | | | | | | | 3.2 | 939.2 | 880.1 | | 6.5 | |
| Other non-current liabilities | | | 7.9 | 44.2 | | | | 44.2 | | | | | | | 7.9 | |
| Current financial liabilities | | | 65.4 | 6.6 | | | 6.6 | | | | 2.2 | 0.0 | 63.3 | | | |
| Trade payables and other liabilities | | | 157.5 | 16.2 | | | | 16.2 | | | | | | 110.2 | 47.3 | |
| **TOTAL** | **0.0** | **0.0** | **2,059.9** | **67.0** | **0.0** | **0.0** | **6.6** | **60.4** | **0.0** | **0.0** | **5.4** | **939.2** | **943.4** | **110.2** | **61.8** | **0.0** |

| 12/31/2016<br>EUR m | Category acc. to IAS 39 | | | | Classification acc. to IFRS 7 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Fair value | | | | Amortized costs | | | | | | | |
| | Loans and receivables | Financial assets available for sale | Financial liabilities at amortized costs | Derivatives and financial liabilities at fair value | Securities | Financial investments | Derivatives | Purchase obligations | 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 |
| **Financial assets** | | | | | | | | | | | | | | | | |
| Financial assets | | 237.8[1] | | | 10.0 | 196.6 | | | | | | | | | | 31.2 |
| Other non-current assets | 105.6[1] | | | | | | | | | 17.8 | 52.5 | | | | 35.2[1] | |
| Trade receivables, other receivables and assets | 258.5[1] | | | | | | | | | 229.6 | | | | | 28.9[1] | |
| Current financial assets | 16.1[1] | 9.2 | | 6.1 | 9.2 | | 6.1 | | | 10.8 | 3.6 | | | | 1.7[1] | |
| Cash and cash equivalents | 877.8 | | | | | | | | 877.8 | | | | | | | |
| **TOTAL** | **1,257.9** | **246.9** | **0.0** | **6.1** | **19.1** | **196.6** | **6.1** | **0.0** | **877.8** | **258.3** | **56.1** | **0.0** | **0.0** | **0.0** | **65.8** | **31.2** |
| **Financial liabilities** | | | | | | | | | | | | | | | | |
| Non-current financial liabilities | | | 1,395.1[1] | | | | | | | | 2.5 | 937.8 | 449.1 | | 5.7[1] | |
| Other non-current liabilities | | | 3.8[1] | 14.6[1] | | | | 14.6[1] | | | | | | | 3.8[1] | |
| Current financial liabilities | | | 209.9[1] | 0.9 | | | 0.9 | | | | 0.9 | 147.7 | 61.3 | | | |
| Trade payables and other liabilities | | | 165.0[1] | 19.6[1] | | | | 19.6[1] | | | | | | 114.7[1] | 50.3[1] | |
| **TOTAL** | **0.0** | **0.0** | **1,773.8** | **35.2** | **0.0** | **0.0** | **0.9** | **34.2** | **0.0** | **0.0** | **3.4** | **1,085.5** | **510.4** | **114.7** | **59.8** | **0.0** |

[1] Adjustment of previous year's figures due to changed presentation

## Valuation of Financial Instruments

### 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 | 12/31/2017 | 12/31/2016 | Hierarchy |
|---|---|---|---|
| **Assets** | | | |
| Securities | 16.6 | 19.1 | Level 1 |
| Financial investments | 234.9 | 196.6 | Level 3 |
| Derivatives (positive market values) | 0.0 | 2.1 | Level 2 |
| Derivatives (options) | 0.0 | 4.0 | Level 3 |
| **Liabilities** | | | |
| Purchase price obligations | 60.4 | 34.2[1] | Level 3 |
| Derivatives (negative market values) | 6.6 | 0.9 | Level 2 |

[1] Adjustment of previous year's figures according to IFRS 3 "Business Combinations"

Securities classified as financial assets available for sale include listed equity instruments such as shares and/or debt instruments such as bonds. For the valuation, the bid prices quoted on an active market are used.

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.

Österreichische Lotterien Gesellschaft mbH is the authorized concessionaire of the federal government as part of the gaming monopoly until September 30, 2027, performing the games Lotto "6/45", Euromillionen, Toto, Score Bets, number games 1-90, the additional game "Joker", raffle and instant scratch games, electronic lotteries (online gaming) at www.win2day.at and in video lottery terminal outlets, Keno, class lottery, Bingo and the numbers lottery "Toi Toi Toi".

For the market value measurement, an industry multiple derived from a peer group of six international lottery companies was applied. The main input factor for this is the average ratio of enterprise value to EBITDA or to EBIT for the selected peer group which is based on current market data and represents the average market capitalization. At the time of submitting the offer or acquiring the interest, the EV/EBITDA multiplier was 7.83 and the EV/EBIT multiplier 8.89. The updated determination of the stated multipliers led to an EV/EBITDA multiplier of 7.89 and an EV/EBIT multiplier of 9.50 for the 2017 fiscal year. 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 for the special value of the investments. This equity value for 100 percent shares was adjusted for the share acquisition taking into account an unchanged premium of 12.36 percent on the EBITDA basis or 13.17 percent on the EBIT basis and amounts to around EUR 996.0 million. This resulted in a current market value of EUR 115.1 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 12.5 million, which had no impact on income.

An increase in the multiplier of 0.5x would lead to an increase in the fair value of EUR 5.9 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 10.2 million.

Casinos Austria AG is the authorized concessionaire of the federal government within the framework of the gaming monopoly until December 31, 2027, and December 31, 2030, operating twelve casinos in Austria with day and evening games. It has locations in Baden, Bregenz, Graz, Innsbruck, Kitzbühel, Kleinwalsertal, Linz, Salzburg, Seefeld, Velden, Vienna and Zell am See. The casinos offer games such as roulette, various kinds of classic poker, baccarat chemin de fer, blackjack, Double Hit, Forty-one, Seven Eleven, Wheel of Fortune, Punto Banco, Red Dog, Sic Bo, Nevada, Tropical Stud Poker, Easy Poker, Easy Black Jack and gaming machines.





A two-step weighted industry multiplier was used to measure the market value. When measuring the CASAG shares, the contribution of ÖLG (68% majority stake of CASAG) and the contribution of the other CASAG companies were considered separately. A comparison group of 10 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 10.29 and an EV/EBIT multiplier of 14.46 for the 2017 fiscal year. The multipliers from the ÖLG valuation and the other CASAG companies were weighted in accordance with the EBITDA/EBIT contribution, which has resulted in an average EV/EBITDA multiplier of 8.64 and EV/EBIT multiplier of 10.83 for the 2017 fiscal year. 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 696.4 million. This resulted in a current market value of EUR 119.8 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 25.7 million, which had no impact on income.

An increase in the multiplier of 0.5x would lead to an increase in the fair value of EUR 10.3 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 19.1 million.

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 27, 2017)). 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 unless hedge accounting is applied.

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

| | | 12/31/2017 | | 12/31/2016 |
|---|---|---|---|---|
| EUR m | Nominal amount | Market value | Nominal amount | Market value |
| USD forward contract (positive) | 0.0 | 0.0 | 88.8 | 2.1 |
| USD forward contract (negative) | 85.5 | -5.9 | 0.0 | 0.0 |
| Option right | 0.0 | 0.0 | 0.0 | 4.0 |
| Interest rate swap | 77.5 | -0.8 | 77.5 | -0.9 |
| **Total** | **163.0** | **-6.6** | 166.3 | 5.2 |

Through an option, the NOVOMATIC Group secured the right to acquire shares in an unlisted company. This was measured at EUR 4.0 million in the prior year due to the agreed transfer of the option to an independent contracting partner. The transfer was successfully completed in the current reporting period.

The purchase price obligations consist of contingent purchase prices and written put options for non-controlling interests.

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 0.0 million) under the other non-current liabilities (purchase price obligations) and with

EUR 0.0 million (previous year: EUR 14.9 million) under trade payables and other liabilities (purchase price obligations). The change in the contingent consideration from business combinations by EUR -11.9 million is the result of an addition amounting to EUR 3.0 million from acquisitions and a disposal amounting to EUR -14.9 million from settlement or discharge. Purchase price obligations have a residual term of around three years.

The obligations resulting from the written put options for non-controlling interests are accounted for as liabilities. The valuation of liabilities is dependent on the underlying agreement. The put options are shown in the balance sheet with EUR 41.2 million (previous year: EUR 14.6 million) under the other non-current liabilities (purchase price obligations) and with EUR 16.2 million (previous year: EUR 4.8 million) under trade payables and other liabilities (purchase price obligations). The change of EUR 38.0 million is the result of an addition amounting to EUR 39.7 million from acquisitions and a disposal amounting to EUR -1.7 million from lapse or value adjustment. The put options may be exercised at any time or after the expiry of a specific contractual term (maximum of three years).

Regarding the expected acquisition of Ainsworth Game Technology Ltd., which is payable in AUD, derivative financial instruments (forward exchange transactions) and non-derivative financial instruments (bank deposits) as hedging instruments in the context of a cash flow hedge were used to hedge the FX cash flow risk from the expected purchase price payment (underlying transaction). The purchase price payment was expected for the beginning of 2018. At this point in time, the effective portion of the hedging relationship is allocated to goodwill as part of the basic adjustment and thus only leads to an effect on the income statement if the goodwill is changed accordingly with effect on profit and loss. As at December 31, 2017, bank balances of EUR 300.2 million were designated as hedging instruments. In 2017, EUR -12.5 million from changes in the hedging instruments were recognized in other comprehensive income.

## 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:

| | 12/31/2017 | | 12/31/2016 | | |
|---|---|---|---|---|---|
| EUR m | Carrying amount | Fair value | Carrying amount | Fair value | Hierarchy |
| **Financial liabilities** | | | | | |
| Bonds | 939.2 | 989.3 | 1,085.5 | 1,145.0 | Level 1 |
| Bank and leasing liabilities | 943.4 | 946.0 | 510.4 | 517.0 | 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 27, 2017) 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 According to IAS 39

| 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 |
| Available-for-sale financial assets | | | 39.3 | 5.0 | 44.3 |

| 12/31/2016 | 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 | -10.2 | | | | -10.2 |
| Derivatives and financial liabilities at fair value | | 4.2 | -0.3 | | 3.9 |
| Available-for-sale financial assets | | | 15.2 | 0.2 | 15.4 |

## 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 (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.

The equity ratio and the ratio of net indebtedness to EBITDA as per December 31, 2017, and as per December 31, 2016, are calculated as follows:

| | 2017 | 2016 |
|---|---|---|
| Equity ratio (equity/balance sheet total) | 32.4 % | 37.3 % |
| Net debt to EBITDA (net debt/EBITDA) | 1.7 | 1.2 |

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 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 with a term of five years (including the option to extend twice by one year) was concluded in March 2017 with 13 banks. The three existing revolving credit lines amounting to EUR 440.0 million were bundled in a credit line and refinanced by them. To additionally reduce the liquidity risk, the NOVOMATIC Group always seeks to secure financing through an investor base that is as internationally diversified as possible. Banks from all significant core markets participated in the financing. As at December 31, 2017, the credit line was utilized to the amount of EUR 460 million.

The bond (ISIN AT0000A0KSM6) of EUR 150.0 million issued in October, 2010 was repaid as agreed on October 27, 2017.

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 | 2018 | 2019-2022 | 2017 | 2018-2021 |
|---|---|---|---|---|
| Bonds | 24.0 | 494.2 | 177.9 | 510.0 |
| Bank loans | 69.5 | 820.2 | 66.1 | 371.6 |
| Lease liabilities | 0.8 | 2.4 | 2.5 | 6.3 |
| Trade payables | 110.2 | 0.0 | 114.7 | 0.0 |
| Credits | 2.2 | 3.2 | 0.9 | 2.5 |
| Derivatives | 6.6 | 0.0 | 0.9 | 0.0 |
| Purchase price obligations | 16.2 | 44.2 | 19.6 | 14.6 |
| Other liabilities | 47.3 | 14.4 | 50.3 | 9.5 |

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

## 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 70 percent) in the NOVOMATIC Group's financing portfolio, the cash flow risk due to increasing interest rates is limited. Variable-interest deposits exceed variable-interest financing vehicles, which structurally limits the cash flow risk due to increasing interest rates for financing. The surplus of variable rate financial assets via the floating rate financial liabilities, combined with the prevailing low interest rates and the fact that most variable rate loans have a contractual floor (minimum reference rate of 0.0 percent), led to an increase in the cash flow risk on the asset side over the period. Commercial banks pass on the negative deposit rates mostly 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 payments due under concluded derivatives contracts. The calculation simulated an interest rate increase of 50 basis points for variable rate bank liabilities, variable interest bank deposits and variable 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 and variable payments from derivatives 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. The payments from interest rate derivates as of balance sheet date are not affected by a reduction of interest.

| EUR m | | 2017 | | 2016 |
|---|---|---|---|---|
| Change in basis points | +50 basis points | 0/-50 basis points | +50 basis points | 0/-50 basis points |
| Change in earnings before taxes | 1.2 | -3.6 | 3.5 | -3.7 |
| Change in equity | 1.0 | -2.7 | 2.6 | -2.8 |

The average weighted reference rate for variable funding was 2.39 percent in 2017 (2016: 2.29 percent) and the average 3M-EURIBOR for 2017 was -0.329 percent (2016: -0.265 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 unrealistic at the time of writing, in particular because the ECB is slowly curbing monetary policy measures. For example, the bond purchase program will be gradually reduced from the beginning of January 2018. However, the ECB's first possible rate hikes are currently expected by market participants in 2019 at the earliest. Continued low inflation in the eurozone, a further 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.





Although current money market interest rates remain significantly negative, forward interest rates for the short-term (FRA up to one year) show a slight upward trend. Long-term interest rates (swap rates from 1 to 50 years) have been rising since the fourth quarter of 2017.

### 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 indirect currency risk 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 2017 reporting period, USD forward foreign exchange contracts with a net value of approximately USD 71 million were due for the operating business. As of the reporting date, subsequent periods have USD forward currency contracts of approximately USD 98 million, with approximately USD 62 million being re-contracted in the 2017 reporting period.

The hedging of the purchase price payment for the Australian gaming group Ainsworth Game Technology Ltd. in the amount of AUD 463 million was carried out using forward currency contracts. The result from the change in the hedging instruments is recorded in other comprehensive income as described in detail above.

In addition to the USD and AUD forward currency contracts mentioned above, no further derivative hedging instruments were contracted in the NOVOMATIC Group in the 2017 reporting period to reduce foreign currency risk.

The relevant foreign currencies in the NOVOMATIC Group as at the reporting date include the USD, AUD and GBP. Exchange rate fluctuations of these three 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 bank balances denominated in a foreign currency ("FX"), time deposits in FX, loans or credits received or given in FX as at the reporting date, and on market values are analyzed per relevant foreign currency (USD, AUD, GBP).

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

| EUR m | | 2017 | | 2016 |
|---|---|---|---|---|
| Exchange rate fluctuation, foreign currency to EUR | +10 % (Appreciation USD) | -10 % (Depreciation USD) | +10 % (Appreciation USD) | -10 % (Depreciation USD) |
| Change in earnings before taxes | 2.6 | -2.3 | 0.3 | -0.1 |
| Change in equity | 1.9 | -1.7 | 0.2 | -0.1 |

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

| Mio. EUR | | 2017 | | 2016 |
|---|---|---|---|---|
| Exchange rate fluctuation, foreign currency to EUR | +10 % (Appreciation AUD) | -10 % (Depreciation AUD) | +10 % (Appreciation AUD) | -10 % (Depreciation AUD) |
| Change in equity | 25.1 | -20.6 | 0.0 | 0.0 |

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 | | 2017 | | 2016 |
|---|---|---|---|---|
| Exchange rate fluctuation, foreign currency to EUR | +10 % (Appreciation GBP) | -10 % (Depreciation GBP) | +10 % (Appreciation GBP) | -10 % (Depreciation GBP) |
| Change in earnings before taxes | 3.5 | -2.9 | 1.9 | -1.5 |
| Change in equity | 2.7 | -2.2 | 1.4 | -1.1 |

In the reporting period, average financial liabilities in the NOVOMATIC Group were mainly denominated in EUR (around 99 percent), and otherwise in USD or 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 and USD).

### 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.

In order to diversify the investment portfolio, especially against the backdrop of anticipated negative interest rates, shares with a total value of around EUR 10 million were acquired in the months of May and June 2017. In November 2017, shares with a total value of around 14.7 million were sold.

In August of the 2017 reporting year, the stock of precious metals was increased by one third.

There were no further significant capital investment-related events in 2017.





## (12) Notes on Leases and Contingent Liabilities

### Finance Lease

NOVOMATIC Group as lessee:

The carrying amounts of intangible assets held under finance leases come to EUR 0.0 million (previous year: EUR 5.5 million).

The carrying amounts of the Group's property, plant and equipment held under finance leases totals EUR 1.1 million (previous year: EUR 0.9 million). The property, plant and equipment held under finance lease comprise of 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 9.5 million (previous year: EUR 10.0 million). After the expiration of the agreement, ownership of the property will be transferred to the Group.

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| EUR m | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 |
| Within one year | 0.8 | 2.5 | 0.7 | 2.4 |
| Between one and five years | 2.4 | 6.3 | 2.2 | 6.0 |
| Over five years | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **3.2** | 8.9 | **2.9** | 8.4 |
| Minus prospective financing costs | -0.2 | -0.4 | | |
| **Present value of lease obligations** | **2.9** | 8.4 | | |

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.

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| EUR m | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 |
| Within one year | 10.3 | 12.5 | 8.8 | 10.8 |
| Between one and five years | 18.2 | 21.5 | 15.5 | 17.8 |
| Over five years | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **28.6** | 34.0 | **24.2** | 28.6 |
| Minus prospective financing income | -4.4 | -5.4 | | |
| **Present value of lease receivables** | **24.2** | 28.6 | | |

## Operating Lease

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 | 12/31/2017 | 12/31/2016 |
|---|---|---|
| For the next year | 68.8 | 63.8 |
| For the following two to five years | 151.3 | 143.2 |
| Over five years | 107.3 | 68.1 |

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 250.7 million (previous year: EUR 242.9 million).

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

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| For the next year | 95.1 | 79.3 |
| For the following two to five years | 10.5 | 23.9 |
| Over five years | 2.6 | 5.5 |

## Contingent Liabilities

| EUR m | 12/31/2017 | 12/31/2016 |
|---|---|---|
| Bill commitments | 0.0 | 0.9 |
| Guarantees | 6.9 | 7.7 |
| **Total** | **6.9** | 8.6 |

In Italy, payment guarantees amounting to EUR 6.8 million (previous year: EUR 7.5 million) were granted to the regulatory authority ADM (formerly AAMS).





# (13) Other Disclosures

## 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 | 2017 | 2016 |
|---|---|---|
| Group audit and audit of financial statements | 2.5 | 2.1 |
| Audit-related services | 0.6 | 0.2 |
| Tax advisory services | 0.3 | 0.3 |
| Other consulting services | 0.5 | 1.0 |

Expenses for services provided by Deloitte Audit Wirtschaftsprüfungs GmbH in 2017 amounted to EUR 0.6 million for the Group audit and audit of financial statements and EUR 0.5 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 the NOVOMATIC AG is, therefore, included in the consolidated financial statements of Novo Invest GmbH being the ultimate parent company and is filed at the Regional Court of Wiener Neustadt under FN 381832v.

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

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

| | Other | | Management | |
|---|---|---|---|---|
| EUR m | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 |
| Receivables | 6.1 | 16.0 | 0.0 | 0.0 |
| Liabilities | 2.9 | 5.4 | 0.3 | 0.2 |
| Revenues | 23.8 | 17.7 | 0.0 | 0.0 |
| Cost of material | 57.2 | 35.5 | 0.0 | 0.0 |
| Consulting services | 0.0 | 0.2 | 0.8 | 0.0 |
| Research and Development | 0.0 | 11.9 | 0.0 | 0.0 |
| Other expenses | 3.3 | 4.5 | 0.0 | 0.0 |
| Interest income | 0.0 | 0.2 | 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.

The NOVOMATIC Group acquired stakes from a related party majority in four Polish companies as well as one Austrian company (including its Slovenian subsidiary) in 2017. The acquired companies primarily provide research and development services.

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 % |
| ADMICS | Admira d.o.o., Serbia | NOVOCS | 100.00 % | 100.00 % |
| ACEAT | Admiral Casinos & Entertainment AG, Austria | NAG | 100.00 % | 100.00 % |
| ADCAES | Admiral Casinos S.A., Spain | NOGES | 100.00 % | 100.00 % |
| AGMIT | Admiral Entertainment S.r.l., Italy | ADRIT | 100.00 % | 100.00 % |
| SOGIT | Admiral Games S.r.l, Italy | ADRIT | 100.00 % | 100.00 % |
| ADGAES | Admiral Gaming Andalucia S.A., Spain | NOGES | 100.00 % | 100.00 % |
| ADCLES | Admiral Gaming Castilla y León S.L., Spain | ADGMES | 100.00 % | 100.00 % |
| ADOSES | Admiral Gaming Madrid S.L., Spain | SAMAES/ ADGMES | 45.00 %/ 40.00 % | 60.00 %/ 40.00 % |
| GMAIT | Admiral Gaming Network S.r.l., Italy | ADRIT | 100.00 % | 100.00 % |
| AIIT | Admiral Interactive S.r.l., Italy | ADRIT | 100.00 % | 100.00 % |
| ADLERO | Admiral Leisure SRL, Romania | NOVORO/ NMIIAT | 99.00 %/ 1.00 % | 99.00 %/ 1.00 % |
| ADGMES | Admiral Operations Spain S.L., Spain | NOGES | 100.00 % | 100.00 % |
| ALPDE | Admiral Play GmbH, Germany | NSMLDE | 100.00 % | 100.00 % |
| ADSLES | Admiral Slots S.A., Spain | NOGES | 100.00 % | 100.00 % |
| MILLIT | Admiral Sport S.r.l., Italy | ADRIT | 100.00 % | 100.00 % |
| ASWDE | Admiral Sportwetten GmbH, Germany | NSMLDE | 100.00 % | 100.00 % |
| ASW | Admiral Sportwetten GmbH, Austria | AGI | 100.00 % | 100.00 % |
| ADMILV | Admiralu Klubs SIA, Latvia | AGI | 60.00 % | 60.00 % |
| ADRIAL | Adriatik Game Sh.A., Albania | EAGAL | 100.00 % | 100.00 % |
| NLSTTN | AGI Novomatic Tunisia S.A.R.L., Tunisia | AGI/NLSAT | 1.00 %/99.00 % | 1.00 %/99.00 % |
| AINSUK | Ainsworth (UK) Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| AIRO | Airoline GmbH, Austria | AGI | 100.00 % | 100.00 % |
| COMEBA | AK "COMET" d.o.o. Zivinice, Bosnia and Herzegovina | HTLBA | 100.00 % | 100.00 % |
| ALLOAT | Albanisch Österreichische Lotterien Holding Gesellschaft m.b.H., Austria | AGI | 100.00 % | 100.00 % |
| ALFLV | Alfor SIA, Latvia | AGI | 60.00 % | 60.00 % |
| ALLIT | Allstar S.r.l., Italy | ADRIT | 100.00 % | 100.00 % |
| ALPSIT | ALP S.r.l., Italy | ADRIT | 70.00 % | 70.00 % |
| AMONBA | Amoniq d.o.o. Zenica, Bosnia and Herzegovina | HTLBA | 100.00 % | 100.00 % |
| ASTRAL | Astra Albania Sh.A., Albania | EAGAL | 100.00 % | 100.00 % |
| ASCOUK | Astra Casino Gaming (One) Ltd., United Kingdom | ASCGUK | 100.00 % | 100.00 % |
| ASTRUK | Astra Games Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| ATTPL | ATT S.A., Poland | AGI | 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 % |
| BAGAES | Basque Gaming S.L., Spain | ADGMES | 51.00 % | 51.00 % |
| BEAMT | BeatYa Online Entertainment p.l.c., 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 % |
| BETWCS | Betware d.o.o., 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 % |
| NEWTUK | Brian Newton Leisure Ltd., United Kingdom | LUXLUK | 100.00 % | 100.00 % |
| CAPEIT | Capecod Gaming S.r.l., Italy | ADRIT | 80.00 % | 80.00 % |
| CAAPNL | Casino Admiral Appelscha B.V., Netherlands | CAHONL | 100.00 % | 100.00 % |
| CAHONL | Casino Admiral Holland B.V., Netherlands | JVHPNL | 100.00 % | 100.00 % |
| CAZENL | Casino Admiral Zeeland B.V., Netherlands | JVHPNL | 100.00 % | 100.00 % |
| CAALIT | Casino delle Alpi Srl, Italy | ADRIT | 100.00 % | 100.00 % |
| CAS1DE | Casino Deluxe Beteiligungsgesellschaft m.b.H. I, Germany | BPAFDE | 100.00 % | 100.00 % |
| CAS3DE | Casino Deluxe Beteiligungsgesellschaft m.b.H. III, Germany | BPAFDE | 100.00 % | 100.00 % |
| VIDDE | Casino Deluxe Beteiligungsgesellschaft m.b.H. IV, Germany | BPAFDE | 100.00 % | 100.00 % |
| CASKDE | Casino Entertainment GmbH & Co. KG, Germany | EXTDE | 100.00 % | 100.00 % |
| CARIDE | Casino Roxos GmbH, Germany | EXTDE | 100.00 % | 100.00 % |
| CARODE | Casino Royal GmbH, Germany | AGI | 100.00 % | 100.00 % |
| CER | Cervo Media GmbH, Austria | GTA | 100.00 % | 100.00 % |
| CITYDE | City Freizeitanlagen GmbH, Germany | EXTDE | 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 Mexico S.A. de C.V., Mexico | AGI/HTM | 99.99 %/0.01 % | 99.99 %/0.01 % |
| CROPE | Crown Gaming S.A.C., Peru | NOVOPE | 100.00 % | 100.00 % |
| AGIMX | Crown Gaming Services Mexico S. de R.L. de C.V., Mexico | AGI/ HTM | 80.00 %/ 20.00 % | 80.00 %/ 20.00 % |
| CRODE | Crown Technologies GmbH, Germany | NSMLDE | 100.00 % | 100.00 % |
| DOMIDE | Domino-Automaten-Betriebs-GmbH, Germany | EXTDE | 100.00 % | 100.00 % |
| EAGAL | Eagle Investment Sh.A, Albania | AGI | 100.00 % | 100.00 % |
| DORAES | El Dorado Derby S.L., Spain | BAGAES | 40.80 % | 80.00 % |
| ELAMNL | Elam Group Electronic Amusement B.V., Netherlands | EUCGNL | 100.00 % | 100.00 % |
| ELSYIT | Electro System S.p.A., Italy | ADRIT | 75.00 % | 75.00 % |
| EMPUK | Empire Games Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| EN61UK | Ensco 961 Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| EN62UK | Ensco 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 | NPL | 44.90 % | 89.54 % |
| EUCGNL | Eurocoin Gaming B.V., Netherlands | JVHPNL | 100.00 % | 100.00 % |
| AWPDNL | Eurocoin Interactive B.V., Netherlands | JVHPNL | 100.00 % | 100.00 % |
| EXTDE | Extra Games Entertainment GmbH, Germany | NSMLDE | 100.00 % | 100.00 % |
| EXLGUK | Extreme Live Gaming Ltd., United Kingdom | ASTUK | 92.50 % | 92.50 % |
| EZEADE | EZEA GmbH, Germany | EXTDE | 100.00 % | 100.00 % |
| FECCIT | Fec S.p.A., Italy | ADRIT | 80.00 % | 80.00 % |
| FUNHUK | Funhouse Leisure Ltd., United Kingdom | PLAYUK | 100.00 % | 100.00 % |

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|---|---|---|---|---|
| FUSAUK | Funhouse Leisure Sales Ltd., United Kingdom | PLAYUK | 100.00 % | 100.00 % |
| FST | Funstage Spielewebseiten Betriebsges.m.b.H., Austria | GTA | 100.00 % | 100.00 % |
| GAM | G.A.M.E. SYS Geldspiel-Automaten-Miet-Elektronik-System GmbH, Austria | AGI | 100.00 % | 100.00 % |
| GAMEUK | Gamestec Leisure Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| GIGAES | GiGames S.L., Spain | NOGES | 80.00 % | 80.00 % |
| GSM | Giochi San Marino S.p.A., San Marino | AGI | 93.00 % | 93.00 % |
| GRCAES | Gran Casino Aljarafe S.A., Spain | ADCAES | 100.00 % | 100.00 % |
| GALUK | Greentube Alderney Ltd., United Kingdom | GTMT | 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 % |
| GTA | Greentube Internet Entertainment Solutions GmbH, Austria | ASTUK | 100.00 % | 100.00 % |
| GTMT | Greentube Malta Ltd., Malta | GTA | 100.00 % | 100.00 % |
| FMASK | Greentube Slovakia s.r.o., Slovakia | FST/GTA | 10.00 %/90.00 % | 10.00 %/90.00 % |
| GTUKUK | Greentube UK Limited, United Kingdom | GTA | 100.00 % | 100.00 % |
| HIRDE | Hirscher Moneysystems GmbH, Germany | CRODE | 100.00 % | 100.00 % |
| HOCAPE | Hotel Carrera S.A.C., Peru | INKEPE | 100.00 % | 100.00 % |
| HPABDE | HP Automatenbetriebs GmbH, Germany | EXTDE | 100.00 % | 100.00 % |
| HTLBA | HTL d.o.o. Sarajevo, Bosnia and Herzegovina | AGI | 100.00 % | 100.00 % |
| HTLMK | HTL Makedonija DOOEL, Macedonia | AGI | 100.00 % | 100.00 % |
| HTLME | HTL Montenegro d.o.o., Montenegro | AGI | 100.00 % | 100.00 % |
| HTLUA | HTL Ukraine TOV, Ukraine | AGI | 100.00 % | 100.00 % |
| HTM | HTM Hotel- u. Tourismus Management GmbH, Austria | NAG | 100.00 % | 100.00 % |
| IDEADE | Ideal Entertainment GmbH, Germany | NWCKDE | 100.00 % | 100.00 % |
| IGROUA | Igrotech-Import TOV, Ukraine | AZARLT | 80.00 % | 100.00 % |
| INEWCL | I-New Chile S.p.A., Chile | INEWAT | 76.81 % | 100.00 % |
| INEWCO | I-New Colombia S.A.S., Colombia | INEWAT | 76.81 % | 100.00 % |
| INEWHU | I-New Hungary Kft., Hungary | INEWAT | 76.81 % | 100.00 % |
| INEWPE | I-New Peru S.A.C., Peru | INEWAT | 76.05 % | 99.00 % |
| INEWAT | I-New Unified Mobile Solutions AG, Austria | NAG | 76.81 % | 76.81 % |
| INEWMX | I-New Unified Mobile Solutions S.A. de C.V., Mexico | INEWAT | 76.80 % | 99.99 % |
| INTEHR | Interigre d.o.o., Croatia | NOGHR | 100.00 % | 100.00 % |
| INT7ES | Interseven Gaming Team S.L., Spain | GIGAES/NOGES | 40.00 %/50.00 % | 50.00 %/50.00 % |
| INTRO | Intertop S.r.l., Romania | NOVORO/ NMIIAT | 99.98 %/ 0.0174 % | 99.98 %/ 0.0174 % |
| INKEPE | Inversiones Kerala S.A.C., Peru | CROPE | 100.00 % | 100.00 % |
| JANOES | Juegos Automáticos Nacidos Para el ocio S.L., Spain | SAMAES | 60.00 % | 80.00 % |
| JVHPDE | JVH gaming products GmbH, Germany | JVHPNL | 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 % |
| LOTAAL | Lotaria Kombetare Sh.p.k., Albania | ALLOAT | 100.00 % | 100.00 % |
| NSMLDE | LÖWEN ENTERTAINMENT GmbH, Germany | AGI | 100.00 % | 100.00 % |
| ASCGUK | Luxury Leisure Holdings Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |

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|---|---|---|---|---|
| LUXLUK | Luxury Leisure Ultd., United Kingdom | ASCGUK | 100.00 % | 100.00 % |
| MAGMK | MA Gaming DOOEL, Macedonia | HTLMK | 100.00 % | 100.00 % |
| MAKOMK | Makoten DOOEL, Macedonia | AGI | 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 % |
| MNAME | MNA Gaming d.o.o., Montenegro | HTLME | 100.00 % | 100.00 % |
| MOISDE | Moislinger Spielstätten und Automaten UG, Germany | EXTDE | 100.00 % | 100.00 % |
| MICACS | MS&NS d.o.o., Serbia | NOVOCS | 80.00 % | 80.00 % |
| MUEHDE | Mühlenstraße Spielstätten und Automaten UG, Germany | EXTDE | 100.00 % | 100.00 % |
| NMIIAT | NMI Invest GmbH, Austria | NAG | 100.00 % | 100.00 % |
| NMN | NMN Immo GmbH, Austria | AGI/NAG | 1.00 %/99.00 % | 1.00 %/99.00 % |
| NORDDE | Norddeutsche Spielbanken GmbH, Germany | NAG | 100.00 % | 100.00 % |
| NOVAIT | Novarmatic S.r.l., Italy | GMAIT | 100.00 % | 100.00 % |
| NOVOCR | Novo Gaming CR Ltda., Costa Rica | NLAHES | 100.00 % | 100.00 % |
| NOGHR | Novo Gaming d.o.o., Croatia | AGI | 100.00 % | 100.00 % |
| NOVOGT | Novo Gaming GT Limitada, Guatemala | NLAHES/ HTM | 99.999 %/ 0.001 % | 99.999 %/ 0.001 % |
| IKGDE | Novo Immobilien GmbH, Germany | NAG | 100.00 % | 100.00 % |
| NOVOBG | Novo Investment Bulgaria EOOD, Bulgaria | AGI | 100.00 % | 100.00 % |
| NOVOCS | Novo Investment d.o.o., Serbia | AGI | 100.00 % | 100.00 % |
| NOVORO | Novo Investment RO SRL, Romania | AGI/HTM | 99.80 %/0.20 % | 99.80 %/0.20 % |
| NOVOPA | Novo Panama S.de R.L., Panama | NLAHES/HTM | 99.90 %/0.10 % | 99.90 %/0.10 % |
| NOVOBA | NOVO RS d.o.o., Bosnia and Herzegovina | AGI | 100.00 % | 100.00 % |
| NVLTAT | Novo VLTech GmbH, Austria | AGI | 100.00 % | 100.00 % |
| NVLTRO | Novo VLTech Solutions SRL, Romania | AGI/NVLTAT | 0.01 %/99.99 % | 0.01 %/99.99 % |
| NOVOCL | Novochile Ltda., Chile | AGI/HTM | 99.00 %/1.00 % | 99.00 %/1.00 % |
| NEE | Novoloto OÜ, Estonia | ADMILV | 60.00 % | 100.00 % |
| AGISA | Novomatic Africa (Pty) Ltd., South Africa | AGI | 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 % |
| AGIAR | Novomatic Argentina Limitada S.r.l., Argentina | AGI/HTM | 90.00 %/10.00 % | 90.00 %/10.00 % |
| JVHMNL | Novomatic Development NL B.V., Netherlands | JVHPNL | 100.00 % | 100.00 % |
| NGEXNL | Novomatic Exploitatie NL I B.V., Netherlands | JVHPNL | 100.00 % | 100.00 % |
| JVHENL | Novomatic Exploitatie NL II B.V., Netherlands | JVHPNL | 100.00 % | 100.00 % |
| LOONNL | Novomatic Exploitatie NL III B.V., Netherlands | JVHPNL | 100.00 % | 100.00 % |
| OLACO | Novomatic Gaming Colombia S.A.S., Colombia | AGI | 100.00 % | 100.00 % |
| AGI | Novomatic Gaming Industries GmbH, Austria | NAG | 100.00 % | 100.00 % |
| NOGES | Novomatic Gaming Spain S.A., Spain | AGI | 100.00 % | 100.00 % |
| NHCCL | Novomatic Holdings Chile Ltda., Chile | NICCL | 100.00 % | 100.00 % |
| AGIHU | Novomatic Hungaria Kft., Hungary | AGI | 100.00 % | 100.00 % |
| NICCL | Novomatic Investment Chile S.A., Chile | NAG | 100.00 % | 100.00 % |
| ADRIT | Novomatic Italia S.p.A., Italy | NAG | 100.00 % | 100.00 % |
| AGSIT | Novomatic Italia Services S.r.l., Italy | ADRIT | 100.00 % | 100.00 % |
| NLAHES | Novomatic LatAm Holding S.L.U., Spain | AGI | 100.00 % | 100.00 % |

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|---|---|---|---|---|
| BETHIS | Novomatic Lottery Solutions Iceland hf., Iceland | NLSAT/NAG | 99.76 %/0.24 % | 99.76 %/0.24 % |
| NLSAT | Novomatic Lottery Solutions GmbH, Austria | NAG | 100.00 % | 100.00 % |
| NOVONL | Novomatic Netherlands B.V., Netherlands | AGI | 100.00 % | 100.00 % |
| NOVOPE | Novomatic Peru S.A.C., Peru | AGI/HTM | 99.99 %/0.01 % | 99.99 %/0.01 % |
| NOSSES | Novomatic Services Spain S.L., Spain | NOGES | 100.00 % | 100.00 % |
| AINSFR | Novomatic Services FRA S.A.S., France | AGI | 100.00 % | 100.00 % |
| JVHPNL | Novomatic Services NL B.V., Netherlands | NOVONL | 100.00 % | 100.00 % |
| SBNKDE | NOVOMATIC Spielbanken Holding Deutschland GmbH & Co. KG, Germany | NAG | 100.00 % | 100.00 % |
| ATSIPL | NOVOMATIC Technologies Poland S.A., Poland | ATTPL/AGI | 51.22 %/48.78 % | 51.22 %/48.78 % |
| ASTUK | Novomatic UK Ltd., United Kingdom | AGI | 100.00 % | 100.00 % |
| NPL | NOVO-POLAND Sp. z o.o., Poland | AGI | 50.14 % | 50.14 % |
| NWCKDE | NWC Nord West Casino GmbH & Co. KG, Germany | EXTDE | 100.00 % | 100.00 % |
| ARGAR | Octavian de Argentina S.A., Argentina | AGI/HTM | 90.00 %/10.00 % | 90.00 %/10.00 % |
| ALSGRU | Octavian Game Art OOO, Russia | AGI/SBPRU | 99.90 %/0.10 % | 99.90 %/0.10 % |
| SBPRU | Octavian SPb Limited Partnership, Russia | AGI | 100.00 % | 100.00 % |
| UGIRU | OOO United Gaming Industries, Russia | AGI/NMIIAT | 99.99 %/0.01 % | 99.99 %/0.01 % |
| OTIUES | Otiumgi S.L., Spain | AGI | 60.00 % | 60.00 % |
| PLANBY | Planeta IGR, Belarus | AZARLT | 80.00 % | 100.00 % |
| PLAAT | Platogo Interactive Entertainment GmbH, Austria | GTA | 100.00 % | 100.00 % |
| PLAYUK | Playnation Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| PLAYDE | Play-Point Spielhallen- und Automatenbetriebs-ges.m.b.H., Germany | EXTDE | 100.00 % | 100.00 % |
| RALLUK | RAL Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| LORZNL | Recreatieprojecten Zeeland B.V., Netherlands | CAZENL | 100.00 % | 100.00 % |
| RECRES | Recreativos del Este S.L., Spain | ADGMES | 60.00 % | 60.00 % |
| HISPES | Recreativos Hispajuegos S.L., Spain | ADGMES/ SAMAES | 24.00 %/ 27.04 % | 24.00 %/ 36.05 % |
| REDDDE | Red Devil Spielothek GmbH, Germany | EXTDE | 100.00 % | 100.00 % |
| RIVUNL | Rio Vught B.V., Netherlands | CAHONL | 100.00 % | 100.00 % |
| HTBLBA | RSA Gaming d.o.o., Bosnia and Herzegovina | NOVOBA | 100.00 % | 100.00 % |
| RUTAES | Ruta 777 S.L., Spain | NOGES | 80.00 % | 80.00 % |
| ASGOUK | S.A.L. Leisure Holdings Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| SALLUK | S.A.L. Leisure Ltd., United Kingdom | ASGOUK | 100.00 % | 100.00 % |
| S4GAES | S4Gaming S.L., Spain | OTIUES | 60.00 % | 100.00 % |
| SAMAES | Salones Macao S.L., Spain | ADGMES | 75.00 % | 75.00 % |
| SIMKDE | SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & CO. KG, Germany | NAG | 100.00 % | 100.00 % |
| MIBECS | SM&SM d.o.o., Serbia | NOVOCS | 80.00 % | 80.00 % |
| SBEKDE | Spielbank Berlin Entertainment GmbH & Co.KG, Germany | NAG | 60.00 % | 60.00 % |
| SBBKDE | Spielbank Berlin Gustav Jaenecke GmbH & Co.KG, Germany | NAG | 59.50 % | 59.50 % |
| SBMKDE | Spielbanken MV GmbH & Co.KG, Germany | SBNKDE | 75.00 % | 75.00 % |
| STAKNL | Stakelogic B.V., Netherlands | GTA | 100.00 % | 100.00 % |
| SUGANL | Super Game B.V., Netherlands | CAHONL | 100.00 % | 100.00 % |
| TALAUK | Talarius Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| TURHDE | Turhan Spielsalon GmbH, Germany | EXTDE | 100.00 % | 100.00 % |
| AZARLT | UAB Azarto Technika, Lithuania | AGI | 80.00 % | 80.00 % |





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|---|---|---|---|---|
| NOVOLT | UAB Novogaming Vilnius, Lithuania | AGI | 80.00 % | 80.00 % |
| TAXILT | UAB Taxillus, Lithuania | AZARLT | 80.00 % | 100.00 % |
| VSGALT | UAB VSGA, Lithuania | AZARLT | 80.00 % | 100.00 % |
| VERAES | Verajuegos S.L., Spain | ADGMES/ SAMAES | 24.00 %/ 27.04 % | 24.00 %/ 36.05 % |
| VILLBG | Villox Group EOOD, Bulgaria | NOVOBG | 100.00 % | 100.00 % |
| WETTRO | Wettpunkt International S.r.l., Romania | NOVORO | 100.00 % | 100.00 % |
| ZSCADE | ZS Casino Emsland GmbH, Germany | EXTDE | 100.00 % | 100.00 % |

Futhermore the Group owns the majority shores in four more consolidated companies.

## Non-Consolidated Affiliated Companies

| IC code | Company, domicile | Superordinate company | Group share | Direct share |
|---|---|---|---|---|
| CRVBA | "Crveno-Crno" d.o.o. Mostar, Bosnia and Herzegovina | HTLBA | 100.00 % | 100.00 % |
| ABZOGR | AbZorba Games I.K.E., Greece | ABZOAT | 100.00 % | 100.00 % |
| ABZOUK | AbZorba Games UK Ltd., United Kingdom | ABZOAT | 100.00 % | 100.00 % |
| CLUBUK | Admiral Club Ltd., United Kingdom | AGI | 100.00 % | 100.00 % |
| ADTIIT | Admiral Time S.r.l., Italy | ADRIT | 70.00 % | 70.00 % |
| ALEARO | Alea Investrom SRL, Romania | NOVORO/ NMIIAT | 99.00 %/ 1.00 % | 99.00 %/ 1.00 % |
| ABETUK | Astra Betting (One) Ltd., United Kingdom | GAMEUK | 100.00 % | 100.00 % |
| BAGYHU | Bagyi System Kft., Hungary | AGIHU | 100.00 % | 100.00 % |
| BAMUUK | Bell Amusements Ltd., United Kingdom | GAMEUK | 100.00 % | 100.00 % |
| BFGUK | Bell-Fruit Games Ltd., United Kingdom | BELLUK | 100.00 % | 100.00 % |
| BFSUK | Bell-Fruit Services Ltd., United Kingdom | GAMEUK | 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 % |
| BINGIT | Bingoland S.r.l., Italy | AGMIT | 51.00 % | 51.00 % |
| CAH1NL | Casino Admiral Holland I 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 % |
| CAWANL | Casino Admiral Waalwijk B.V., Netherlands | CAHONL | 100.00 % | 100.00 % |
| CASVDE | Casino Entertainment Verwaltungs-GmbH, Germany | EXTDE | 100.00 % | 100.00 % |
| CELIAT | celix Solutions GmbH, Austria | AGI | 80.00 % | 80.00 % |
| CPASPH | CP Asian Solutions Corporation, Philippines | ASTUK | 51.00 % | 51.00 % |
| GNETUK | Games Network Ltd., United Kingdom | GAMEUK | 100.00 % | 100.00 % |
| GTECUK | Gamestec Ltd., United Kingdom | GAMEUK | 100.00 % | 100.00 % |
| GTSEMT | Greentube Malta SEE Ltd., Malta | GTMT | 100.00 % | 100.00 % |
| ASGGUK | Harlequin Gaming Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| INEWBD | I-New Bangladesch Ltd., Bangladesh | INEWAT | 76.81 % | 100.00 % |
| INEWZA | I-New Unified Mobile Solutions Africa (PTY) Ltd., South Africa | INEWAT | 76.81 % | 100.00 % |
| INEWUS | I-New USA Inc., USA | INEWAT | 76.81 % | 100.00 % |
| INTLB | Interinvest Holding SAL, Lebanon | AGI | 95.00 % | 95.00 % |

| | | | | |
|---|---|---|---|---|
| INLOLB | Interlog SAL, Lebanon | INTLB | 95.00 % | 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 % |
| VEGAHR | Las Vegas d.o.o., Croatia | NOGHR | 100.00 % | 100.00 % |
| LEISUK | Leisure Projects Ltd., United Kingdom | PLAYUK | 100.00 % | 100.00 % |
| MAZOUK | Mazooma Games Ltd., United Kingdom | BELLUK | 100.00 % | 100.00 % |
| MIGUK | Mazooma Interactive Games Ltd., United Kingdom | BELLUK | 100.00 % | 100.00 % |
| NLSHGR | NLS Novomatic Lottery Solutions Hellas S.A., Greece | NLSAT | 100.00 % | 100.00 % |
| NDSVDE | NOVO Data Solutions Verwaltungs GmbH, Germany | NDSKDE | 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 % |
| NGMTAT | Novo Gaming M Technologies GmbH, Austria | AGI | 100.00 % | 100.00 % |
| IVGDE | Novo Immobilien Verwaltungsges.m.b.H., Germany | IKGDE | 100.00 % | 100.00 % |
| NOINPL | NOVO Investment PL Sp.z.o.o., Poland | ATTPL | 100.00 % | 100.00 % |
| NOBEPL | NOVOBET.PL Sp.z.o.o., Poland | ATTPL | 100.00 % | 100.00 % |
| NLSUS | NOVOMATIC Lottery Solutions North America LCC, USA | NLSAT | 100.00 % | 100.00 % |
| NOVOZA | NOVOMATIC South Africa (Pty) Ltd., South Africa | AGISA | 100.00 % | 100.00 % |
| GIPDE | NOVOMATIC Spielbanken Holding Deutschland Verwaltungs GmbH, Germany | SBNKDE | 100.00 % | 100.00 % |
| NSBSAT | NOVOMATIC Sports Betting Solutions GmbH, Austria | NAG | 100.00 % | 100.00 % |
| NOVOUK | Novomatic UK (One) Ltd., United Kingdom | ASTUK | 100.00 % | 100.00 % |
| ISPAIT | Novopay Istituto di Pagamento S.r.l, Italy | ADRIT | 100.00 % | 100.00 % |
| OTIUMX | Otium Mexico S.A.P.I. de C.V., Mexico | S4GAES | 60.00 % | 100.00 % |
| NDSKDE | Platin 1366. GmbH & Co. Verwaltungs KG, Germany | NSMLDE | 100.00 % | 100.00 % |
| RLMSUK | RLMS Sales Ltd., United Kingdom | BELLUK | 100.00 % | 100.00 % |
| SAYCO | Say:Hola ! SAS, Colombia | INEWAT | 76.81 % | 100.00 % |
| SIMDE | SIM Spielbanken Investitions- und Management GmbH, Germany | NAG | 100.00 % | 100.00 % |
| SMARAT | Smartspace GmbH, Austria | INEWAT | 65.29 % | 85.00 % |
| SBEVDE | Spielbank Berlin Entertainment Verwaltungs GmbH, Germany | SBEKDE | 60.00 % | 100.00 % |
| SBBVDE | Spielbank Berlin Verwaltungs GmbH, Germany | SBBKDE | 59.50 % | 100.00 % |
| SBMVDE | Spielbanken MV Verwaltungs-GmbH, Germany | SBMKDE | 75.00 % | 100.00 % |
| STAKMT | Stakelogic Malta Limited, Malta | STAKNL | 100.00 % | 100.00 % |
| TECHAT | Technoconsult, technisches Büro, Gesellschaft m.b.H., Austria | SBPRU | 100.00 % | 100.00 % |
| NOLOLT | UAB Novoloto Vilnius, Lithuania | AZARLT | 80.00 % | 100.00 % |

Futhermore the Group owns the majority shores in one more none-consolidated company.

## Companies Consolidated Using the Equity Method

| IC code | Company, domicile | Superordinate company | Group share | Direct share |
|---|---|---|---|---|
| PRAGA | Pratergarage Errichtungs- und Betriebs-gesellschaft 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, 2017, as granted under Sec. 264 para 3 and Sec. 264 b of the German Commercial Code:

- LÖWEN ENTERTAINMENT GmbH, Bingen
- ADMIRAL Play GmbH, Düsseldorf
- Admiral Sportwetten GmbH, Rellingen
- Automaten Service Playtime GmbH, Pfullendorf
- Beku Automaten & Gastronomie Service GmbH, Pfullendorf
- BPA Freizeit- & Unterhaltungsbetriebe GmbH, Munich
- Casino Deluxe Beteiligungsgesellschaft mbH I, Munich
- Casino Deluxe Beteiligungsgesellschaft mbH III, Munich
- Casino Deluxe Beteiligungsgesellschaft mbH IV, Munich
- Casino Entertainment GmbH & Co. KG, Pfullendorf
- Casino Rixos GmbH, Pfullendorf
- City Freizeitanlagen GmbH, Pfullendorf
- Conrad Spielautomaten GmbH, Pfullendorf
- Crown Technologies GmbH, Rellingen
- Domino-Automaten-Betriebs-GmbH, Pfullendorf
- Extra Games Entertainment GmbH, Pfullendorf
- EZEA GmbH, Pfullendorf
- Hirscher Moneysystems GmbH, Walsrode
- 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
- NWC Nord West Casino Beteiligungs GmbH, Pfullendorf
- Play-Point Spielhallen- u. Automatenbetriebsges.m.b.H., Pfullendorf
- Red Devil Spielothek GmbH, Pfullendorf
- Turhan Spielsalon GmbH, Pfullendorf
- ZS Casino Emsland GmbH, Pfullendorf

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

**Completed acquisitions**

The acquisition of around 52 percent of the shares in Ainsworth Game Technology Ltd. (Ainsworth), signed in 2016 and for which closing had not yet been performed due to formal approval requirements of various international licensing and regulatory bodies, was finally completed in January 2018.

The acquisition represents another milestone in the corporate history of NOVOMATIC and is of major strategic importance as it paves the way to access the enormously important North American market, a region with almost one million operated gaming machines. Ainsworth is also a market leader in gaming-enthusiastic Australia and has a strong presence in the Latin American market.





The agreed purchase price is AUD 473.3 million. A cash flow hedge was made for the majority of the purchase price. This hedging relationship resulted in a result of EUR -12.5 million, which was recognized in other comprehensive income. The total consideration – taking into account the hedging effects – amounts to approximately EUR 320.3 million for the acquisition of these shares.

The purchase price allocation in accordance with IFRS 3 has not yet been completed as of the reporting date, with the result that the following information is based on preliminary figures. In particular, trademarks, technology and customer relationship were identified and evaluated on a provisional basis with publicly available information. A final valuation of these intangible assets considering detailed internal information could lead to different values. In addition, potential fair value adjustments, especially in the area of property, plant and equipment, and inventories, have not yet been taken into account. No final analysis has yet been performed on the other assets acquired and liabilities assumed, but no material adjustments are to be expected.

Accordingly, the values in the opening balances have not yet been finally determined, and the allocation of the total purchase price to the assets acquired and liabilities assumed has also not yet been completed.

The provisional fair values are as follows:

| EUR m | Provisional fair values |
|---|---|
| Intangible assets | 190.3 |
| Property, plant and equipment | 74.0 |
| Other non-current assets | 27.7 |
| Deferred tax assets | 2.8 |
| Inventories | 57.5 |
| Cash and cash equivalents | 18.7 |
| Other current assets | 81.5 |
| Non-current liabilities and provisions | -44.7 |
| Deferred tax liabilities | -50.4 |
| Current liabilities and provisions | -31.1 |
| **Net assets** | **326.3** |
| **Non-controlling interests** | **-157.6** |
| Goodwill | 151.6 |
| **Consideration** | **320.3** |

The preliminary goodwill resulting from the acquisition reflects the expected strategic advantages for the Group through access to the hugely important North American market. Based on a preliminary assessment, goodwill will not be tax-deductible.

## (15) Company Bodies

### The following members of the Executive Board were appointed for the 2017 fiscal year and beyond:

- Harald Neumann (CEO)
- Ryszard Presch (Deputy Chairman of the Executive Board until June 8, 2017, COO)
- Dr. Christian Widhalm (Deputy Chairman of the Executive Board since June 8, 2017, CIO)
- Thomas Graf (CTO)
- Peter Stein (CFO)

### In the 2017 fiscal year and during the time of preparation of this report, the Supervisory Board consisted of the following members:

- Senator Herbert Lugmayr (Chairman of the Supervisory Board until March 28, 2017)
- Dr. Bernd Oswald (Chairman since March 28, 2017)
- Martina Flitsch (Deputy Chairwoman)
- Martina Kurz (member)
- Barbara Feldmann (member)
- Dr. Robert Hofians (member since March 28, 2017)

The current total remuneration of the members of the Executive Board of NOVOMATIC AG amounted to EUR 5.9 million (previous year: EUR 5.5 million). Of the expenses for severance payments and pensions, EUR 0.2 million (previous year: EUR 1.1 million) and EUR -0.3 million (previous year: EUR 0.8 million), respectively, were attributed to the Executive Board. The members of the Supervisory Board received EUR 0.5 million (previous year: EUR 0.2 million) for their function. No loans or contingencies were granted to members of the Supervisory Board or of the Executive Board in the 2017 fiscal year.

**Dr. Bernd Oswald, Barbara Feldmann, Martina Flitsch, Martina Kurz, Dr. Robert Hofians**





## (16) Publication

The present Consolidated Financial Statement was released on April 25, 2018, by the Executive Board for examination by the Supervisory Board, for presentation at the general shareholders' meeting, and for subsequent publication.

Gumpoldskirchen, April 25, 2018

The Executive Board of NOVOMATIC AG

| Harald Neumann<br>CEO | Dr. Christian Widhalm<br>Deputy CEO<br>CIO | Ryszard Presch<br>COO | Thomas Graf<br>CTO | Peter Stein<br>CFO |
|---|---|---|---|---|

## 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, 2017, gives a true and fair view of the nets 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, 2017, gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm that to the best of our knowledge the annual financial statement of NOVOMATIC AG as of December 31, 2017, 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, 2017, 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 the company faces.

Gumpoldskirchen, April 25, 2018

The Executive Board of NOVOMATIC AG

| Harald Neumann<br>CEO | Dr. Christian Widhalm<br>Deputy CEO<br>CIO | Ryszard Presch<br>COO | Thomas Graf<br>CTO | Peter Stein<br>CFO |
|---|---|---|---|---|

# NOVOMATIC AG
# Auditor's Report

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Novomatic AG, Gumpoldskirchen, and its subsidiaries (the Group), comprising the consolidated statement of financial position as at December 31, 2017, 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 as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows of the Group 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.





#### Valuing the assets of gaming operations – Germany

**Description and Issue**

Due to the German Gambling Treaty Amendment (GlüÄndStV) of July 1, 2012 and the supplementary implementing provisions of the German states, upon expiry of the transitional provisions since July 1, 2017, there has been a reduced number of gaming halls or licenses based on decisions by the authorities. The resulting new findings entered into the evaluation of the impairment of assets. On the reporting date, there was no decision by the authorities for roughly one-third of the licenses, and operations are being tolerated pending the administrative decision. For gaming halls on which no decisions have been made by the authorities, evaluation of the impairment of assets was conducted, taking into consideration the experiences up to the end of 2017. The future administrative practice may lead to additional impairments being performed for these gaming halls. The book values of the intangible assets and tangible fixed assets as of December 31, 2017 for gaming halls on which a regulatory decision was still pending, were EUR 45.0 million. For additional remarks, please refer to Chapter 7.3 "Impairments and Reversals" in the notes to the consolidated financial statements.

**Our Response**

We reviewed the documentation of the company with respect to the impairment of assets for the individual gaming halls and reconciled them with internal and external company data, in particular with the administrative decisions that have now been received. For the gaming halls on which no decision has been made on the licenses, we have taken into critical consideration the reasonableness of the assumptions with respect to ramifications of the legal amendments.

#### Loss orders of Novomatic Lottery Solutions

**Description and Issue**

Novomatic Lottery Solutions is a full-service supplier for international state-licensed lottery companies. Based on changed competitive framework conditions in 2017, the management has newly evaluated the future business trend. As a result, there were amended forecasts of the cost and sales development of existing orders, which lead to losses in the amount of EUR 23.9 million, for which a provision of the same amount was created. In this context, the forecast was also adjusted for the impairment test of intangible assets and tangible fixed assets. This led to extraordinary write-downs of EUR 10.5 million. For additional remarks, please refer to Chapter 7.3 "Impairments and Reversals" in the notes to the consolidated financial statements.

**Our Response**

We have taken into critical consideration the underlying forecasts for loss-free valuation of orders and for the impairment test of intangible assets and tangible fixed assets. In doing so, we reconciled in particular the forecast sales with the customer agreements. We validated assumptions for the forecast completion costs, along with the future maintenance and service costs for plausibility based on the past information, along with the actual costs of the first quarter of 2018. Furthermore, we evaluated the reasonableness of the allocation of costs to the individual customer orders.

## Other Information

Management is responsible for the other information. The other information contain all information in the annual report but does not include the consolidated 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 consolidated 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 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.

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the management has conducted or will conduct the affairs of the Group.

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.

- In conducting our audit in accordance with the applicable auditing standards, we are taking into account the applicable legal and regulatory framework of the Group but we are not responsible for preventing or detecting non-compliance with laws and regulations. Because of the inherent limitations of an audit, the inevitable risk of not detecting a material misstatement in the financial statements, although the audit is planned and performed in accordance with the applicable auditing standards, is higher with respect to non-compliance with other laws and regulations. This is, amongst others, owed to the fact that there are many laws and regulations, relating principally to the operating aspects of a group, that are not captured by the group's information systems relevant to financial reporting, and that such non-compliance may involve conduct designed to conceal it.

- 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 give 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 July 18, 2017 and commissioned by the supervisory board on September 26, 2017 to audit the consolidated financial statements for the financial year ending December 31, 2017. We have been auditing the Group uninterrupted since the financial year ending December 31, 2004.

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

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

Vienna, April 25, 2018

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 management report are identical with the confirmed version. Section 281 para 2 Austrian Commercial Code applies to versions that differ

# NOVOMATIC AG
# Balance Sheet

as of December 31, 2017

## Assets

| A. FIXED ASSETS | | 12/31/2017 | 12/31/2016 |
|---|---|---|---|
| | EUR | EUR | KEUR |
| **I. Intangible assets** | | | |
| 1. Industrial and similar rights and assets and licenses in such rights and assets | 3,258,260.12 | | 10,475 |
| **II. Property, plant and equipment** | | | |
| 1. Land, buildings and improvements to third-party buildings | 125,820,392.82 | | 131,915 |
| 2. Plant and machinery | 73,157.55 | | 84 |
| 3. Other equipment, plant and office equipment | 1,769,763.33 | | 1,746 |
| 4. Advance payments and assets under construction | 44,402.92 | | 45 |
| | 127,707,716.62 | | 133,790 |
| **III. Financial assets** | | | |
| 1. Shares in affiliated companies | 951,489,784.12 | | 824,186 |
| 2. Loans to affiliated companies | 267,898,859.41 | | 332,515 |
| 3. Investments | 24,175,444.55 | | 24,176 |
| 4. Loans to associated companies | 547,181.67 | | 461 |
| 5. Securities held as fixed assets | 94,705,243.74 | | 99,909 |
| 6. Other loans | 4,242,570.69 | | 5,089 |
| | 1,343,059,084.18 | | 1,286,336 |
| | | **1,474,025,060.92** | 1,430,601 |
| **B. CURRENT ASSETS** | | | |
| **I. Receivables and other assets** | | | |
| 1. Trade receivables | 177,268.18 | | 133 |
| 2. Receivables from affiliated companies | 285,373,668.46 | | 95,845 |
| 3. Other receivables and assets becoming due and payable after more than one year EUR 65,914.88 (previous year: KEUR 66) | 62,196,067.17 | | 58,616 |
| | 347,747,003.81 | | 154,594 |
| **II. Securities and interests** | | | |
| Other securities and interests | 10,245,095.82 | | 9,141 |
| **III. Cash, bank deposits** | 358,078,844.01 | | 363,677 |
| | | **716,070,943.64** | 527,412 |
| **C. PREPAID EXPENSES** | | | |
| | | **8,124,211.87** | 9,625 |
| **D. DEFERRED TAX ASSETS** | | | |
| | | **0.00** | 7,317 |
| | | **2,198,220,216.43** | 1,974,955 |

## Shareholders' equity and liabilities

| A. SHAREHOLDER´S EQUITY | | 12/31/2017 | 12/31/2016 |
|---|---|---|---|
| | EUR | EUR | KEUR |
| **I. Called up and paid share capital** | | 26,590,000.00 | 26,590 |
| **II. Capital reserves** Tied up capital reserves | | 85,386,371.00 | 85,386 |
| **III. Retained earnings** | | | |
| 1. Legal reserve | 1,623,629.00 | | 1,624 |
| 2. Other reserves (free reserves) | 15,395.39 | | 15 |
| | | 1,639,024.39 | |
| **IV. Retained profits** thereof retained profits brought forward EUR 61,171,890.80 (previous year: KEUR 111,172) | | 77,541,488.97 | 111,172 |
| | | **191,156,884.36** | **224,787** |
| **B. PROVISIONS** | | | |
| 1. Provisions for severance payments | 1,957,813.00 | | 1,827 |
| 2. Provisions for pensions | 7,300,571.00 | | 7,612 |
| 3. Provisions for taxes | 248,000.00 | | 0 |
| 4. Other provisions | 13,109,059.38 | | 6,903 |
| | | **22,615,443.38** | **16,342** |
| **C. LIABILITIES** becoming due and payable within one year EUR 171,852,280.75 (previous year: KEUR 360,759) becoming due and payable after more than one year EUR 1,812,590,750.44 (previous year: KEUR 1,373,067) | | | |
| 1. Bonds becoming due and payable within one year EUR 0.00 (previous year: KEUR 150,000) becoming due and payable after more than one year EUR 950,000,000.00 (previous year: KEUR 950,000) | 950,000,000.00 | | 1,100,000 |
| 2. Due to banks becoming due and payable within one year EUR 20,479,791.46 (previous year: KEUR 23,476) becoming due and payable after more than one year EUR 862,246,512.29 (previous year: KEUR 422,730) | 882,726,303.75 | | 446,206 |
| 3. Trade payables becoming due and payable within one year EUR 1,708,146.59 (previous year: KEUR 1,536) | 1,708,146.59 | | 1,536 |
| 4. Payables to affiliated companies becoming due and payable within one year EUR 133.251.584,53 (previous year: TEUR 166.150) becoming due and payable after more than one year EUR 341.718,15 (previous year: TEUR 337) | 133,593,302.68 | | 166,488 |
| 5. Other liabilities becoming due and payable within one year EUR 16,412,758.17 (previous year: KEUR 19,586) becoming due and payable after more than one year EUR 2,520.00 (previous year: KEUR 0) of which taxes EUR 28,017.43 (previous year: KEUR 42) of which social security EUR 44,325.14 (previous year: KEUR 49) | 16,415,278.17 | | 19,596 |
| | | **1,984,443,031.19** | **1,733,826** |
| **D. DEFERRED INCOME** | | **4,857.50** | 0 |
| | | **2,198,220,216.43** | **1,974,955** |

# NOVOMATIC AG
# Profit and Loss Account

for the period from January 1, 2017 to December 31, 2017

| | | 01–12/2017 | 01–12/2016 |
|---|---|---|---|
| | EUR | EUR | KEUR |
| 1. Sales | | 78,464,315.35 | 76,624 |
| 2. Other operating income | | | |
| a. Income from the disposal of and additions to fixed assets, excluding financial assets | 0.00 | | 75 |
| b. Income from the release of provisions | 174,047.99 | | 10 |
| c. Other | 2,280,821.82 | | 4,010 |
| | | 2,454,869.81 | 4,095 |
| 3. Expenses for material and other purchased manufacturing services | | | |
| Cost of purchased services | -352,739.35 | | -731 |
| | | -352,739.35 | -731 |
| 4. Personnel expenses | | | |
| a. Salaries | -5,009,578.62 | | -6,212 |
| b. Social Expenses | | | |
| aa. Pension expenses | 345,392.00 | | -760 |
| bb. Expenses for severance payments and contributions to external severance payments funds | -199,751.49 | | -135 |
| cc. Cost of statutory social security, payroll-related taxes and mandatory contributions | -379,816.30 | | -253 |
| dd. Other | -53,127.68 | | -24 |
| | -287,303.47 | | -1,172 |
| | | -5,296,882.09 | -7,384 |
| 5. Amortization and depreciation | | | |
| of intangible assets and of tangible assets thereof extraordinary depreciation EUR 798,008.60 (previous year: KEUR 6,500) | | -14,028,240.31 | -24,976 |
| 6. Other operating expenses | | | |
| a. Taxes not included in line 16 | -168,800.21 | | -247 |
| b. Other | -82,215,005.90 | | -73,927 |
| | | -82,383,806.11 | -74,174 |
| **7. Subtotal of lines 1 to 6 (Operating profit)** | | **-21,142,482.70** | **-26,546** |

| | | |
|---|---|---|
| 8. Investment income<br>thereof from affiliated companies EUR 208,947,255.24<br>(previous year: KEUR 58,620) | 215,598,808.82 | 58,620 |
| 9. Income from other investments and long-term loans<br>thereof from affiliated companies EUR 7,960,060.28<br>(previous year: KEUR 8,741) | 8,778,442.69 | 9,720 |
| 10. Other interest and similar income<br>thereof from affiliated companies EUR 300,551.04<br>(previous year: KEUR 25) | 1,321,695.57 | 245 |
| 11. Income from disposal of and the appreciation to financial assets | 12,940,251.81 | 2,839 |
| 12. Expenses from financial assets and securities held as current assets<br>a. Depreciation EUR -121,359,182.59 (previous year: KEUR -2,597)<br>b. Expenses from affiliated companies<br>EUR -146,879,650.57 (previous year: KEUR -2,810) | -149,564,818.82 | -4,399 |
| 13. Interest and similar expenses<br>thereof from affiliated companies EUR -170,207.42<br>(previous year: KEUR -274) | -45,262,037.44 | -38,161 |
| **14. Subtotal of lines 8 to 13 (Financial result)** | **43,812,342.63** | **28,864** |
| **15. Earnings before tax (Subtotal of lines 7 and 14)** | **22,669,859.93** | **2,318** |
| 16. Taxes on income<br>thereof tax apportionment EUR 1,352,407.34 (previous year: KEUR 4,616)<br>thereof deferred taxes EUR -7,317,044.22 (previous year: KEUR 2,420) | -6,300,261.76 | 6,940 |
| **17. Earnings after taxes = Net income of the year** | **16,369,598.17** | **9,258** |
| 18. Disposal of retained earnings | 0.00 | 0 |
| 19. Allocation of retained earnings | 0.00 | 0 |
| 20. Profits carried forward from the previous year | 61,171,890.80 | 101,914 |
| **21. Retained profits** | **77,541,488.97** | **111,172** |

# Notes

for the 2017 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, 2017.

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 cost of acquisition of less than EUR 400.00 are fully depreciated in the year of acquisition or production.

Receivables and other assets were stated at nominal value less necessary allowances. Overdue receivables were discounted and, for bad debts, a lump sum value adjustment was allowed.

In application of the principle of prudence, all identifiable risks and all liabilities of uncertain amount and/or origin were considered by setting up provisions according to reasonable commercial judgment.

Liabilities were valued at their redemption amount. Liabilities in foreign currency were valued at the foreign exchange rate offered at the balance sheet date or at a higher purchase rate at the date of transaction.





## II. EXPLANATIONS CONCERNING THE BALANCE SHEET

### ASSETS

### A. Fixed Assets

### 1. Intangible Assets and Property, Plant and Equipment

Fixed assets are stated at cost of acquisition or production less planned linear depreciation corresponding to the estimated useful life.

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. Write-downs and write-ups are made if the corresponding conditions exist.

Additions of KEUR 440 are related primarily to patent transfers.

The book values of intangible assets acquired from affiliated companies add up to KEUR 2,571 (previous year: KEUR 9,876).

**1.2. Property, Plant and Equipment**

The real estate value of undeveloped and developed land amounts to KEUR 36,389 (previous year: KEUR 36,968).

Other property, plant and equipment items are stated at cost of acquisition or production less planned linear depreciation (spread over 25 to 50 years for buildings, 4 to 10 years for movable assets and structural investments). 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.

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.

Additions to the shares in affiliated companies amounting to KEUR 228,889 are mainly due to capital increases at Austrian and one Italian subsidiary.

Impairment losses on shares in affiliated companies amounted to KEUR 100,630 in the reporting year and mainly related to NOVOMATIC Lottery Solutions GmbH with KEUR 88,000 and I-New Unified Mobile Solutions AG with KEUR 12,587.

For further details concerning the shares in affiliated companies, please refer to point IV.

Loans granted to affiliated companies amount to KEUR 267,899 (previous year: KEUR 332,515). Loans were reduced by KEUR 20,089 due to a waiver of claims vis-à-vis NOVOMATIC Lottery Solutions GmbH. Furthermore, there was an impairment charge of KEUR 14,861 for a loan to I-New Unified Mobile Solutions AG and KEUR 3,600 for a loan to NOVOMATIC Lottery Solutions (Iceland) hf. The amounts are disclosed in the income statement under the item "Expenses from financial assets and securities held as current assets".

These additional changes concerned both disbursements to and repayments from subsidiaries in markets with promising growth prospects.

Other loans increased in the amount of KEUR 463 on the one hand and, on the other, decreased by KEUR 5,186 due to repatriations or reversals. Thus, the total acquisition costs as of December 31, 2017, amounted to KEUR 15,753 (previous year: KEUR 20,476).

The accumulated impairment loss decreased by KEUR 5,186 due to the disposal of an allowance and increased by KEUR 1,309 to KEUR 11,510 (previous year: KEUR 15,387) due to the critical assessment of the value of individual loans.

Of loans granted to affiliated companies, an amount of KEUR 23,394 (previous year: KEUR 30,462) is due within one year.

Of the other loans, an amount of KEUR 1,191 (previous year: KEUR 1,408) is due within one year.

The additions to securities held as current assets primarily relate to portfolio shares.

## B. Current Assets

### 1. Receivables and Other Assets

**1.1. Trade receivables**

Trade receivables are stated at nominal value. In cases of apparent individual risk, the probable recoverable amount was recognized. Receivables are – as in the previous year – due within less than one year.

**1.2. Receivables from Affiliated Companies**

Receivables from affiliated companies mainly concern allocations with the subsidiaries NOVOMATIC Gaming Industries GmbH of KEUR 246,508, HTM Hotel und Tourismus Management GmbH of KEUR 10,000, Novo VLTech GmbH of KEUR 730 and Novomatic Italia Srl of KEUR 18,000. The balances particularly relate to the allocation accounts for tax allocations, dividends and cash pooling.

The receivables from affiliated companies include trade receivables in the amount of KEUR 6,905 (previous year: KEUR 19,557). The remaining time to maturity of the receivables – as in the previous year – is less than one year.

**1.3. Other Receivables and Assets**

Other receivables and assets amounting to KEUR 62,196 (previous year: KEUR 58,616) mainly concern a deposit related to precious metals amounting to KEUR 52,125 (previous year: KEUR 35,300) as well as credit balances with the tax authorities. The remaining other receivables of KEUR 66 (previous year: KEUR 66) are due in more than one year.

### 2. Cash and Bank Deposits

Bank deposits come to an amount of KEUR 345,519 (previous year: KEUR 363,676), of which KEUR 0,00 (previous year: KEUR 65,351) is not freely available. The bulk of bank deposits relates to an Australian dollar bank account with KAUD 463,833 earmarked for the acquisition of Ainsworth Game Technology Ltd.

Regarding the expected acquisition of Ainsworth Game Technology Ltd., which is payable in AUD, derivative financial instruments (forward exchange transactions) and non-derivative financial instruments (bank deposits) as hedging instruments in the context of a cash flow hedge, were used to hedge the FX cash flow risk from the expected purchase price payment (underlying transaction). The purchase price was paid in early 2018. As at December 31, 2017, bank balances of EUR 313,979,496.32 were designated as hedging instruments. In 2017, EUR 12,557,938.88 of the change in the hedging instruments was recognized directly in equity.

## C. Prepaid Expenses

The prepaid expenses amounting to KEUR 8,124 (previous year: KEUR 9,625) consist of capitalized discounts and expenditures pertaining to 2018 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.

Since a tax relief due to reversal of the above-mentioned temporary differences in the foreseeable future cannot be reliably predicted at the balance sheet date, the deferred tax assets of previous years in the amount of KEUR 7,317 are released as a precautionary measure and no new formation is made.

As the Group parent, NOVOMATIC AG has tax losses of KEUR 213,883, for which no deferred tax assets were recognized.

The non-capitalized deferred taxes from temporary differences amount to KEUR 30,447. This amount mainly relates to items of property, plant and equipment, shares in affiliated companies and provisions.

## EQUITY AND LIABILITIES

## A. Shareholders' Equity

The share capital of the company amounts to KEUR 26,590 in the 2017 fiscal year (previous year: KEUR 26,590).

The tied-up capital reserves of KEUR 85,386 and retained earnings of KEUR 1,639 remained unchanged compared to the previous year.

At the Annual General Meeting on April 5, 2017, a disbursement of KEUR 50,000 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 1.89 percent (previous year: 1.58 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, at KEUR 131 (previous year: KEUR 81), concern changes in provisions.

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 1.89 percent (previous year: 1.58 percent) and value adjustments of 3 percent. Pension expenses, at KEUR -312 (previous year: KEUR 799), concern changes in provisions.

Other provisions primarily related to audit and consultancy costs, expenses for annual reports, a provision for anticipated losses for the future liquidity needs of NOVOMATIC Lottery Solutions GmbH in the amount of KEUR 7,700, bonus payments to the Executive Board, unconsumed vacation for employees and the 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 1.89 percent (previous year: 1.58 percent) and assuming a pay increase of 2.5 percent (previous year: 2.5 percent).

The provision for unused vacation is calculated under the assumption of a divider of 18 working days per month.

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 one year | With a residual term of 1 to 5 years | With a residual term of over 5 years |
|---|---|---|---|
| **Bond** | 0 | 450,000 | 500,000 |
| (previous year) | 150,000 | 450,000 | 500,000 |
| **Due to banks** | 20,480 | 789,122 | 73,125 |
| (previous year) | 23,476 | 331,355 | 91,375 |
| **Trade payables** | 1,708 | 0 | 0 |
| (previous year) | 1,536 | 0 | 0 |
| **Payables to affiliated companies** | 133,252 | 342 | 0 |
| (previous year) | 166,150 | 337 | 0 |
| **Other liabilities** | 16,413 | 3 | 0 |
| (previous year) | 19,596 | 0 | 0 |

2010, 2013 to 2015 and 2016, bonds with a total value of KEUR 1,100,000 were issued to support further growth in the areas of development, production and gaming operations. In 2017, the bond issued in 2010 with a volume of KEUR 150,000 and an interest rate of 5 percent was repaid as scheduled.





Liabilities to affiliated companies amounting to KEUR 133,385 (previous year: KEUR 143,657) concern other liabilities. Of this sum, a significant amount of KEUR 132,998 (previous year: KEUR 131,776) 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 17,885) that will become only cash-effective after the balance sheet date.

## D. Contingent Liabilities

At the balance sheet date, there are contingent liabilities amounting to KEUR 163,925 (previous year: KEUR 154,990), of which KEUR 163,925 (previous year: KEUR 154,990) concerns affiliated companies.

Contingent liabilities comprise comfort letters or guarantees for bank loans for affiliated companies, and are composed as follows:

**a) Contingent liabilities**

KEUR

| Bank | Beneficiary company | Security | Ceiling | As of 12/31/2017 |
|---|---|---|---|---|
| UniCredit Bank Austria AG Vienna | HTM Hotel- und Tourismus Management GmbH | Comfort letter | 7,000 | 7,000 |
| UniCredit Bank Austria AG Vienna | I-New Unified Mobile Solutions AG | Guarantee | 500 | 0 |
| 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 |
| Oberbank Leasing | I-New Unified Mobile Solutions AG | Comfort letter | 9,471 | 9,471 |
| Oberbank AG | I-New Unified Mobile Solutions AG | Comfort letter | 4,500 | 4,282 |
| Hypo Bank Burgenland | ADMIRAL Casinos & Entertainment AG | Guarantee | 176 | 176 |
| Hypo Bank Burgenland | I-New Unified Mobile Solutions AG | Guarantee | 1,800 | 1,646 |
| Hypo Bank Burgenland | Admiral Sportwetten GmbH | Guarantee | 12,000 | 12,000 |
| UniCredit Bank Austria AG Vienna | Crown Gaming S.A.C. | Guarantee | 16,638 | 13,643 |
| Kensington Business Center | Novomatic Americas Sales LLC | Guarantee | 940 | 940 |
| Nord LB | Admiral Sportwetten GmbH, Deutschland | Guarantee | 1,500 | 1,500 |
| UniCredit S.p.A., Rome | NOVOMATIC Italia.S.p.A. | Guarantee | 97,278 | 97,278 |
| Raiffeisenlandesbank NÖ-Wien | Admiral Sportwetten GmbH | Comfort letter | 1,500 | 0 |
| Raiffeisenlandesbank NÖ-Wien | I-New Unified Mobile Solutions AG | Guarantee | 374 | 374 |
| Barclays Bank PLC | NOVOMATIC UK Ltd. | Comfort letter | 11,251 | 11,251 |
| **TOTAL** | | | | **163,925** |

**b) Off-balance-sheet transactions**

In 2017, comfort letters were issued to an Austrian subsidiary and an Icelandic subsidiary.

**c) Information regarding the nature of provided physical securities**

No physical securities were provided for liabilities in the 2017 fiscal year.

## E. Other Financial Obligations

Obligations from current lease contracts comprise:

| KEUR | of the following fiscal year | of the next five fiscal years |
|---|---|---|
| Obligations from current lease contracts | 1,131 | 5,656 |
| (In the previous year) | 1,118 | 5,589 |

# III. EXPLANATIONS CONCERNING THE PROFIT AND LOSS ACCOUNT

## 1. Breakdown of Sales

**1.1. by segments:**

| KEUR | Year under review | Previous year |
|---|---|---|
| Income from trademarks and licenses | 60,061 | 59,024 |
| Provision of personnel | 1,262 | 1,137 |
| Income from rental and operating costs | 13,659 | 12,967 |
| Other sales | 3,482 | 3,496 |
| **Total** | **78,464** | **76,624** |

**1.2. by geographical markets:**

| KEUR | Year under review | Previous year |
|---|---|---|
| Domestic income | 69,172 | 66,533 |
| International income (EU) | 9,226 | 10,091 |
| Third-country income | 66 | 0 |
| **Total** | **78,464** | **76,624** |

## 2. Personnel costs

Expenses for severance payments and contributions to external severance payment funds include payments to external severance payment funds amounting to KEUR 69 (previous year: KEUR 54).





## 3. Extraordinary Depreciation

In the 2017 fiscal year, an impairment loss was recognized on a property in Baden in the amount of KEUR 798 where the sale price has already been determined.

## 4. Taxes on Income

Taxes only affect results from ordinary business activities.

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
- NOVOMATIC Gaming Industries GmbH, Austria
- Admiral Sportwetten GmbH, Austria
- Novo VLTech GmbH, Austria
- NOVOMATIC Italia S.p.A., Italy

In the tax apportionment contract with the domestic tax group members, negative as well as positive tax apportionments within the tax group were stipulated. The profits allocated by the tax group member to the parent company are, depending on the usability of the losses, to be compensated at 21.5 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 is broken down specifically as follows:

| KEUR | |
|---|---|
| Corporate income tax expense in 2017 | 14 |
| Corporate income tax expense in previous years | 20 |
| Corporate income tax expense for deferred taxes | 7,317 |
| Foreign withholding tax expense | 53 |
| Corporate income tax expense in Germany | 248 |
| Income from tax apportionment "tax group" | -1,352 |
| **Total** | **6,300** |

## IV. INFORMATION ON SIGNIFICANT INVESTMENTS

| Company, domicile | Share | Carrying amount as of 12/31/2017 | Equity | Result for the year |
|---|---|---|---|---|
| | | EUR | EUR | EUR |
| NOVOMATIC Italia S.p.A, Rimini (IT) | 100 % | 368,369,429 | 275,877,509 | -15,206,514 |
| ADMIRAL Casinos & Entertainment AG, Wr.Neudorf (AT) | 100 % | 65,000,000 | 47,103,402 | 4,327,620 |
| NOVOMATIC Gaming Industries GmbH, Gumpoldskirchen (AT) | 100 % | 394,304,397 | 1,071,991,176 | 73,052,264 |
| HTM Hotel- und Tourismus Management GmbH, Gumpoldskirchen (AT) | 100 % | 1,072,607 | 47,962,780 | -4,934,497 |
| NMN Immo GmbH, Gumpoldskirchen (AT) | 99 % | 611,726 | 607,833 | -55,199 |
| NMI Invest GmbH, Gumpoldskirchen (AT) | 100 % | 1,000,000 | 994,210 | -5,790 |
| NOVOMATIC Sports Betting Solutions GmbH, Gumpoldskirchen (AT) | 100 % | 1,000,000 | 942,253 | -57,747 |
| Novomatic Investment Chile S.A., Santiago (CL) | 100 % | 1,344,421 | 3,192,227 | -292,085 |
| Novo Immobilien GmbH, Bingen/Rhein (DE) | 100 % | 3,000,000 | 21,241,358 | 2,658,677 |
| Norddeutsche Spielbanken GmbH, Berlin (DE) | 100 % | 25,000 | 20,342 | 320 |
| NOVOMATIC Americas Holdings Inc., Illinois (US) | 100 % | 21,384,591 | 27,220,686 | -973,213 |
| Spielbank Berlin G.Jaenecke GmbH & Co.KG, Berlin (DE) | 59,5 % | 8,619,917 | 14,200,832 | 1,361,482 |
| Spielbank Berlin Entertainment GmbH & Co.KG, Berlin (DE) | 60 % | 48,840 | -2,625,722 | -19,037 |
| NOVOMATIC Spielbanken Holding Deutschland GmbH & Co.KG (formerly Spielbank Berlin nationale Beteiligungsges mbH & Co.KG), Berlin (DE) | 100 % | 6,438,002 | 5,219,574 | -540,534 |
| I-New Unified Mobile Solutions AG, Mattersburg (AT) | 76,814 % | 1 | -17,146,518 | -15,736,636 |
| NOVOMATIC Lottery Solutions GmbH, Vienna (AT) | 100 % | 0 | 12,232,292 | -60,894,890 |
| NOVOMATIC Lottery Solutions (Iceland) hf, Kopavogur (IS) | 0,24 % | 245.56 | 17,157,722 | 35,698,127 |
| SIM Spielbanken Investitions- und Management GmbH, Kassel (DE) | 100 % | 25,619 | 52,759 | 5,559 |
| SIM Spielbanken Investitions-, Beteiligungs- und Management GmbH & Co.KG, Kassel (DE) | 100 % | 6,914,017 | 7,732,678 | 812,027 |
| RSV Beteiligungs GmbH, Vienna (AT) | 100 % | 72,330,974 | 8,776,736 | 8,245,000 |
| LTB Beteiligungs GmbH, Vienna (AT) | 33,33 % | 23,937,945 | 8,791,157 | 8,240,000 |
| Pratergarage Errichtungs- und Betriebsgesellschaft m.b.H., Vienna (AT) | 47,5 % | 237,500 | 416,740 | 34,897 |

Statements concerning intragroup relationships are omitted in accordance with Sec. 242 para 3 of the Austrian Commercial Code (UGB).

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 754 as of December 31, 2017.

The market value corresponds to the value that 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.

## VI. MANDATORY INFORMATION CONCERNING MANAGEMENT BODIES AND EMPLOYEES

### 1.1. Average Number of Employees during the Financial Year

Number of employees: 14 (previous year: 8)

### 1.2. Members of the Executive Board and the Supervisory Board during the Financial Year

Executive Board:
- Harald Neumann, Chairman, CEO
- Ryszard Presch, Deputy Chairman (until June 8, 2017)
- Ryszard Presch, COO (since June 8, 2017)
- Peter Stein, CFO
- Thomas Graf, CTO
- Dr. Christian Widhalm, CIO (until June 8, 2017)
- Dr. Christian Widhalm, Deputy Chairman (since June 8, 2017)

Supervisory Board:
- Senator Herbert Lugmayr, Chairman of the Supervisory Board (until March 28, 2017)
- Dr. Bernd Oswald, Chairman of the Supervisory Board (since March 28, 2017)
- Barbara Feldmann, member
- Martina Kurz, member
- Martina Flitsch, Deputy Chairwoman
- Dr. Robert Hofians, member (since March 28, 2017)

### 1.3. Other Information

During the 2017 fiscal year, gross payments of KEUR 5,644 (previous year: KEUR 4,977) and payments from affiliated companies of KEUR 250 (previous year: KEUR 486) were made to members of the Executive Board. No advances, loans or guarantees were granted to members of the Executive Board. Payments made to members of the Supervisory Board during the year under review amounted to KEUR 518 (previous year: KEUR 263).

Expenses for severance payments and pensions for the members of the Executive Board amounted to KEUR 182 (previous year: KEUR 1,076) and KEUR -345 (previous year: KEUR 799), respectively.

### 1.4 Consolidated Financial Statement

NOVOMATIC AG is required by law to prepare and disclose a subgroup consolidated financial statement according to Sec. 246 para 3 of the Austrian Commercial Code (UGB). The financial statement for the subgroup NOVOMATIC AG is included in the consolidated financial statement of Novo Invest GmbH with its registered office in Gumpoldskirchen – as head of the Group – and is 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 20,000 is to be appropriated from the balance sheet profit of KEUR 77,541 comprising the profit of the 2017 fiscal year amounting to KEUR 16,369 and profit carried forward of KEUR 61,172. The remaining amount of KEUR 27,541 is to be carried forward.

### 1.7 Subsequent Events after the Balance Sheet Date

The acquisition of around 52 percent of the shares in Ainsworth Game Technology Ltd. (Ainsworth), signed in 2016 and for which closing had not yet been performed due to formal approval requirements of various international licensing and regulatory bodies, was finally completed in January 2018.

The acquisition represents another milestone in the corporate history of NOVOMATIC and is of major strategic importance as it paves the way to access the enormously important North American market, a region with almost one million operated gaming machines. Ainsworth is also a market leader in gaming-enthusiastic Australia and has a strong presence in the Latin American market. The agreed purchase price is around AUD 473 million.

## VII. SPECIAL INFORMATION FOR STOCK CORPORATIONS

The share capital of EUR 26,590,000.00 is fully paid up and divided into 26,590,000 registered no-par value shares. The nominal value per share amounts to EUR 1.00.

Gumpoldskirchen, April 25, 2018

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

# NOVOMATIC AG
# Fixed Assets

as of December 31, 2017

| | Development at cost of acquisition and production | | | | | | Development of Amortization/Depreciation | | | | | | | | Book Values | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EUR | Balance as of 1/1/2017 | Additions | Transfers | Reallocation | Disposals | Balance as of 12/31/2017 | Balance as of 1/1/2017 | Additions | thereof extraordinary depreciation | Transfers | Reallocation | Disposals | Write-ups | Balance as of 12/31/2017 | Balance as of 12/31/2016 | Balance as of 12/31/2017 |
| **A. FIXED ASSETS** | | | | | | | | | | | | | | | | |
| I. Intangible assets | | | | | | | | | | | | | | | | |
| 1. Industrial and similar rights and assets and licenses in such rights and assets | | | | | | | | | | | | | | | | |
| Rights | 12,455,172.03 | 250,000.00 | 150,000.00 | 0.00 | 0.00 | 12,855,172.03 | 11,861,656.11 | 341,106.04 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12,202,762.15 | 593,515.92 | 652,409.88 |
| Technical software | 123,400,219.21 | 0.00 | 0.00 | 0.00 | 0.00 | 123,400,219.21 | 113,524,543.97 | 7,304,825.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 120,829,368.97 | 9,875,675.24 | 2,570,850.24 |
| Software | 281,948.48 | 20,000.00 | 20,000.00 | 0.00 | 0.00 | 321,948.48 | 275,679.35 | 11,269.13 | | 0.00 | 0.00 | 0.00 | 0.00 | 286,948.48 | 6,269.13 | 35,000.00 |
| Advance payments | 0.00 | 170,000.00 | -170,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 136,137,339.72 | 440,000.00 | 0.00 | 0.00 | 0.00 | 136,577,339.72 | 125,661,879.43 | 7,657,200.17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 133,319,079.60 | 10,475,460.29 | 3,258,260.12 |
| 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 | 9,293,159.41 | 0.30 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.30 | 9,293,159.11 | 9,293,159.11 |
| Buildings – real estate value | 32,164,056.07 | 0.00 | 0.00 | 0.00 | 0.00 | 32,164,056.07 | 4,489,540.57 | 577,693.67 | 47,694.98 | 0.00 | 0.00 | 0.00 | 0.00 | 5,067,234.24 | 27,674,515.50 | 27,096,821.83 |
| Buildings – value of building | 134,347,665.14 | 6,800.00 | 0.00 | 0.00 | 0.00 | 134,354,465.14 | 42,429,179.58 | 5,335,602.29 | 750,313.62 | 0.00 | 0.00 | 0.00 | 0.00 | 47,764,781.87 | 91,918,485.56 | 86,589,683.27 |
| Structural investments in leased property | 2,796,160.66 | 0.00 | 0.00 | 0.00 | 0.00 | 2,796,160.66 | 2,790,167.32 | 922.05 | | 0.00 | 0.00 | 0.00 | 0.00 | 2,791,089.37 | 5,993.34 | 5,071.29 |
| Buildings on non-owned land | 24,742,062.68 | 37,205.09 | 0.00 | 0.00 | 0.00 | 24,779,267.77 | 21,719,264.09 | 224,346.36 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 21,943,610.45 | 3,022,798.59 | 2,835,657.32 |
| | 203,343,103.96 | 44,005.09 | 0.00 | 0.00 | 0.00 | 203,387,109.05 | 71,428,151.86 | 6,138,564.37 | 798,008.60 | 0.00 | 0.00 | 0.00 | 0.00 | 77,566,716.23 | 131,914,952.10 | 125,820,392.82 |
| 2. Plant and machinery | | | | | | | | | | | | | | | | |
| Plant and machinery | 212,930.38 | 0.00 | 0.00 | 0.00 | 0.00 | 212,930.38 | 129,195.58 | 10,577.25 | | 0.00 | 0.00 | 0.00 | 0.00 | 139,772.83 | 83,734.80 | 73,157.55 |
| Tools and tool costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 212,930.38 | 0.00 | 0.00 | 0.00 | 0.00 | 212,930.38 | 129,195.58 | 10,577.25 | | 0.00 | 0.00 | 0.00 | 0.00 | 139,772.83 | 83,734.80 | 73,157.55 |
| 3. Office fixtures, fittings and equipment | | | | | | | | | | | | | | | | |
| Office fixtures, fittings and equipment | 4,829,249.40 | 20,336.07 | 1,665.00 | 0.00 | 0.00 | 4,851,250.47 | 4,240,493.45 | 199,173.67 | | 0.00 | 0.00 | 0.00 | 0.00 | 4,439,667.12 | 588,755.95 | 411,583.35 |
| Car pool | 1,630,952.55 | 247,000.00 | 0.00 | 0.00 | 24,500.00 | 1,853,452.55 | 484,793.12 | 16,000.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 500,793.12 | 1,146,159.43 | 1,352,659.43 |
| Low-value assets | 43,021.42 | 717.02 | 0.00 | 0.00 | 0.00 | 43,738.44 | 31,493.04 | 6,724.85 | | 0.00 | 0.00 | 0.00 | 0.00 | 38,217.89 | 11,528.38 | 5,520.55 |
| | 6,503,223.37 | 268,053.09 | 1,665.00 | 0.00 | 24,500.00 | 6,748,441.46 | 4,756,779.61 | 221,898.52 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4,978,678.13 | 1,746,443.76 | 1,769,763.33 |
| 4. Advance payments and tangible assets in course of construction | | | | | | | | | | | | | | | | |
| Tangible assets in course of construction | 6,335,074.76 | 1,165.00 | -1,665.00 | 0.00 | 0.00 | 6,334,574.76 | 6,290,171.84 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 6,290,171.84 | 44,902.92 | 44,402.92 |
| | 6,335,074.76 | 1,165.00 | -1,665.00 | 0.00 | 0.00 | 6,334,574.76 | 6,290,171.84 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 6,290,171.84 | 44,902.92 | 44,402.92 |
| | 216,394,332.47 | 313,223.18 | 0.00 | 0.00 | 24,500.00 | 216,683,055.65 | 82,604,298.89 | 6,371,040.14 | 798,008.60 | 0.00 | 0.00 | 0.00 | 0.00 | 88,975,339.03 | 133,790,033.58 | 127,707,716.62 |
| III. Financial Assets | | | | | | | | | | | | | | | | |
| 1. Shares in affiliated companies | 835,142,963.31 | 228,889,429.00 | 0.00 | 0.00 | 955,350.00 | 1,063,077,042.31 | 10,957,599.47 | 100,629,658.72 | | 0.00 | 0.00 | 0.00 | 0.00 | 111,587,258.19 | 824,185,363.84 | 951,489,784.12 |
| 2. Loans to affiliated companies | 332,515,279.79 | 21,427,873.28 | 0.00 | 0.00 | 67,582,859.50 | 286,360,293.57 | 0.00 | 18,461,434.16 | | 0.00 | 0.00 | 0.00 | 0.00 | 18,461,434.16 | 332,515,279.79 | 267,898,859.41 |
| 3. Investments | 24,412,944.55 | 0.00 | 0.00 | 0.00 | 0.00 | 24,412,944.55 | 237,500.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 237,500.00 | 24,175,444.55 | 24,175,444.55 |
| 4. Loans to associated companies | 922,605.25 | 85,879.07 | 0.00 | 0.00 | 0.00 | 1,008,484.32 | 461,302.65 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 461,302.65 | 461,302.60 | 547,181.67 |
| 5. Securities held as fixed assets | 101,498,250.77 | 10,284,154.20 | 0.00 | 0.00 | 16,927,199.38 | 94,855,205.59 | 1,588,926.85 | 84,153.69 | | 0.00 | 0.00 | 1,523,118.69 | 0.00 | 149,961.85 | 99,909,323.92 | 94,705,243.74 |
| 6. Other loans | 20,476,289.71 | 462,425.44 | 0.00 | | 5,185,617.00 | 15,753,098.15 | 15,387,208.44 | 1,308,936.02 | | 0.00 | 0.00 | 5,185,617.00 | 0.00 | 11,510,527.46 | 5,089,081.27 | 4,242,570.69 |
| | 1,314,968,333.38 | 261,149,760.99 | 0.00 | 0.00 | 90,651,025.88 | 1,485,467,068.49 | 28,632,537.41 | 120,484,182.59 | 0.00 | 0.00 | 0.00 | 6,708,735.69 | 0.00 | 142,407,984.31 | 1,286,335,795.97 | 1,343,059,084.18 |
| **TOTAL FIXED ASSETS** | **1,667,500,005.57** | **261,902,984.17** | **0.00** | **0.00** | **90,675,525.88** | **1,838,727,463.86** | **236,898,715.73** | **134,512,422.90** | **798,008.60** | **0.00** | **0.00** | **6,708,735.69** | **0.00** | **364,702,402.94** | **1,430,601,289.84** | **1,474,025,060.92** |

# NOVOMATIC AG
# **Provisions**

as of December 31, 2017

EUR

| PROVISIONS | Balance as of 1/1/2017 | Consumption | Release | Allocation | Balance as of 31/12/2017 |
|---|---|---|---|---|---|
| 1. Provisions for severance payments | | | | | |
| Provision for severance payments | 1,826,737.00 | 0.00 | 0.00 | 131,076.00 | 1,957,813.00 |
| 2. Provisions for pensions | | | | | |
| Provision for pensions | 7,612,376.00 | 0.00 | 311,805.00 | 0.00 | 7,300,571.00 |
| 3. Provisions for taxes | | | | | |
| Provision for corporate income tax | 0.00 | 0.00 | 0,00 | 248,000.00 | 248,000.00 |
| 4. Other provisions | | | | | |
| Provisions for auditing and consulting fees | 532,453.00 | 425,354.01 | 29,668.99 | 1,139,435.12 | 1,216,865.12 |
| Provisions for damage cases | 100,000.00 | 0.00 | 100,000.00 | 0.00 | 0.00 |
| Provision for unconsumed vacation | 1,054,751.99 | 1,054,751.99 | 0.00 | 1,290,230.69 | 1,290,230.69 |
| Other provisions for personnel | 4,137,000.00 | 4,137,000.00 | 0.00 | 1,900,000.00 | 1,900,000.00 |
| Provision for jubilee payments | 77,746.00 | 0.00 | 19,262.00 | 4,510.00 | 62,994.00 |
| Other provisions | 1,000,943.59 | 175,000.00 | 171,974.02 | 7,985,000.00 | 8,638,969.57 |
| | 6,902,894.58 | 5,792,106.00 | 320,905.01 | 12,319,175.81 | 13,109,059.38 |
| **TOTAL PROVISIONS** | **16,342,007.58** | **5,792,106.00** | **632,710.01** | **12,698,251.81** | **22,615,443.38** |





# NOVOMATIC AG
# **Auditor's Report**

Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of Novomatic AG, Gumpoldskirchen, which comprise the statement of financial position as at December 31, 2017, the statement of profit and loss and notes to the financial statements.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position as at December 31, 2017 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.

### NOVOMATIC Lottery Solutions GmbH

**Description and Issue**

NOVOMATIC Lottery Solutions GmbH is a full-service supplier for international state-licensed lottery companies. Based on changed competitive framework conditions in 2017, the management has newly evaluated the future business outlook. This resulted in amended estimates of the future cost and sales outlook.

In this context, adjustments were also made to the planning for the impairment test of the participation, as well as loans receivable to NOVOMATIC Lottery Solutions GmbH and its subsidiary in Iceland. This resulted in a total impairment of the participation in the amount of EUR 88 million and a total impairment of the loans receivable in the amount of EUR 23.7 million. To safeguard the future liquidity of NOVOMATIC Lottery Solutions GmbH, NOVOMATIC AG issued a letter of comfort. From the forecast, there is a financing gap of some EUR 7.7 million, for which a provision was made under other provisions. For additional remarks, please refer to Chapter II "Notes on the items in the balance sheet (2. Financial investment assets)" and IV. "Details on significant participations" as well as B. "Provisions" in the Annex.

**Our Response**

We have taken the underlying forecast into critical consideration. In doing so, we reconciled in particular the forecast sales with the customer agreements. We validated assumptions for the forecast completion costs, along with the future maintenance and service costs for plausibility based on the past information, along with the actual costs of the first quarter of 2018.

### I-New Unified Mobile Solutions AG

**Description and Issue**

The subsidiary I-New Unified Mobile Solutions AG offers software technologies for "Mobile (Virtual) Network Operators". The Management Board of NOVOMATIC AG made the decision in the financial year to sell all shares in the I-New Unified Mobile Solutions AG. Indicative offers were tendered up until December 2017. The anticipated sales revenues, less cost of sales, were applied to the valuation of the participation as well as the book value of loans receivable. This resulted in a complete impairment of the participation in the amount of EUR 12.6 million, as well as an impairment of loans receivable in the amount of EUR 14.9 million. The residual book value of the loans receivable are EUR 8.3 million. For additional remarks, please refer to Chapter II "Notes on the items in the balance sheet (2. Financial investment assets)" and IV. "Details on significant participations".

**Our Response**

We evaluated the approval by the Supervisory Board for the planned sale of the participation. In addition, we validated the anticipated sales revenue for plausibility on the basis of the indicative offers tendered, took the anticipated cost of sales into critical consideration, and evaluated the assumptions concerning the anticipated planning interval of the sales transaction.

## 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 Committee for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee are responsible for overseeing the Company's financial reporting process.

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

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

The scope of the audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the management has conducted or will conduct the affairs of the Company.

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.

- In conducting our audit in accordance with the applicable auditing standards, we are taking into account the applicable legal and regulatory framework of the Company but we are not responsible for preventing or detecting non-compliance with laws and regulations. Because of the inherent limitations of an audit, the inevitable risk of not detecting a material misstatement in the financial statements, although the audit is planned and performed in accordance with the applicable auditing standards, is higher with respect to non-compliance with other laws and regulations. This is, amongst others, owed to the fact that there are many laws and regulations, relating principally to the operating aspects of a company, that are not captured by the company's information systems relevant to financial reporting, and that such non-compliance may involve conduct designed to conceal it.

- 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 are prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to section 243a UGB and is consistent with the financial statements.

### Statement

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

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

We were appointed by the annual general meeting on July 18, 2017 and commissioned by the supervisory board on September 26, 2017 to audit the financial statements for the financial year ending December 31, 2017. We have been auditing the Company uninterrupted since the financial year ending December 31, 2004.

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

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

Vienna, April 25, 2018

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 management report are identical with the confirmed version. Section 281 para 2 Austrian Commercial Code applies to versions that differ.

# NOVOMATIC AG
# Report of the Supervisory Board

for the fiscal year 2017

In its nine meetings held during the course of financial year 2017, the Supervisory Board was regularly informed by the Executive Board on the business policy and dealt thoroughly with business developments and the position of the company. In addition, the Audit Committee heard reports from the Executive Board and the auditor during the five meetings.

In addition, the Supervisory Board met four times during its CR Committee to report on the company's non-financial activities. The legal representatives of the Company have prepared a separate non-financial report, which has been audited by the Supervisory Board. No objections were found. Furthermore, on April 25, 2018, the auditor submitted a report on the auditing of selected, non-financial performance indicators or topics and the disclosure of the information required in section 267a (6) UGB in conjunction with section 267a (2-5) of the Austrian Commercial Code in the consolidated non-financial report for the year 2017, from which no complaints emerged.

The annual financial statements of December 31, 2017, and the Management Report of the Executive Board, to the extent that it explains the annual financial statements, have been examined with regard to accounting by Deloitte Audit Wirtschaftsprüfungs GmbH, which was appointed as auditor by the Annual General Meeting and has been charged with providing an unqualified audit opinion. The examination of the annual financial statements by the Supervisory Board did not give rise to any objections. The Supervisory Board agrees with the proposal of the Executive Board regarding the use of the net profits from 2017. The annual financial statements drawn up by the Executive Board were approved by the Supervisory Board and hence adopted in accordance with the Aktiengesetz (AktG – Austrian Stock Corporation Act).

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 2017.

Gumpoldskirchen, April 2018
The Supervisory Board

**Dr. Bernd Oswald**
Chairman





# Space
# for Notes

# Space for Notes

# Imprint

**Symbols used in this report**

Reference to an indicator according to the Global Reporting Initiative, 4.0, Level core

Reference to further information or crossreferences within the report

In order to improve readability, some terminology is used only in its masculine form. Nevertheless, all passages refer equally to members of both genders.

We have prepared this report with the utmost care and have checked the data therein. Nevertheless, errors arising from rounding, typesetting or printing cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids.

This report includes forward-looking statements based on information currently available to us. These forward-looking statements are usually identified by expressions such as "expect", "estimate", "plan", "calculate", etc. Please note that various factors could cause actual circumstances – and therefore also actual results – to deviate from the expectations outlined in this report. Statements referring to people apply to both men and women.

This annual report is available in German. In the event of disputes, the German version shall take precedence.

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