

Overview of Key Figures

EUR m	01-06/2022	01-06/2021	million	Change %
Revenues	1,319.1	629.3	+689.7	+109.6%
EBITDA	371.7	162.9	+208.9	+128.2%
Operating profit (EBIT)	162.1	-37.5	+199.6	
Result for the period	122.9	-59.2	+182.1	
EBITDA margin (EBITDA/revenues)	28.2%	25.9%		
Free cash flow before acquisitions	243.7	42.2	+201.6	+478.1%
Free cash flow after acquisitions	243.1	42.0	+201.1	+479.2%
Number of employees (average)	21,721	21,028		+3.3%

EUR m	06/30/2022	12/31/2021	million	Change %
Balance sheet total	3,929.6	3,944.3	-14.7	-0.4%
Equity	1,289.7	1,172.3	+117.5	+10.0%
Equity ratio (equity/balance sheet total)	32.8%	29.7%		

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NOVOMATIC AG MANAGEMENT REPORT

for the 2022 Interim Financial Statement, NOVOMATIC AG, Gumpoldskirchen

(1) Purpose of the Business and Strategy

NOVOMATIC¹ is a globally operating, integrated gaming technology and entertainment group with over 40 years of experience as a producer of innovative high-tech gaming equipment. The Group develops, manufactures and sells gaming products, lottery technologies and networked system solutions for domestic and international gaming and betting markets. NOVOMATIC furthermore operates around 2,100 gaming facilities, which include casinos, slot arcades, sports betting outlets and bingo facilities.

In addition to the development of terrestrial gaming equipment, the NOVOMATIC AG Group's business activity also covers the development of games for licensed online and offline suppliers as well as operating online gaming and sports betting platforms.

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

(2) Economic Conditions

Macroeconomic Development

After the global economy had slowly recovered in the final quarter of 2021, overall economic development in the first half of 2022 was dominated by several factors which had an adverse impact. Supply shortages which lasted longer than expected, new COVID-19 outbreaks in China and the ongoing war in Ukraine caused inflation rates to rise around the globe. The impact of rising price levels and the weak consumer confidence, which had already been dampened by COVID-19, resulted, among other things, in low private consumer spending and fewer investments. However, due to the relaxation of COVID-19 measures in almost all countries, the employment rate showed a positive trend, especially in the contact-intensive sectors.

The increase in global GDP in 2022 is forecast to come in at 3.2 percent², while the euro area is predicted to see an increase of 2.6 percent³.

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

² According to the World Economic Outlook Update dated July 2022 provided by the International Monetary Fund (IMF)

³ According to the European Economic Forecast Summer 2022.

Economic growth in %*	2023f	2022f	2021
Austria	1.5	3.7	4.8
Germany	1.3	1.4	2.9
Italy	0.9	2.9	6.6
United Kingdom	0.5	3.2	7.4
Spain	2.1	4.0	5.1
Netherlands	1.0	3.0	4.9
Central and Eastern Europe	0.9	-1.4	6.7
USA	1.0	2.3	5.7
Latin America	2.0	3.0	6.9
World	2.9	3.2	6.1

* Growth in Austria, Germany, Italy, Spain and the Netherlands are taken from the Summer 2022 economic forecast of the European Union. Growth in the UK, Central and Eastern Europe, the United States, Latin America and the world is taken from the International Monetary Fund's July 2022 World Economic Outlook.

(3) Business Performance

General Business Development in the Reporting Period

Compared to previous years, the COVID-19 pandemic had a significantly lower impact on the NOVOMATIC AG Group in the first half of 2022. Restrictive measures were successively lifted in the markets, while the extent of the imposed temporary closures was limited. This had a particularly positive effect on the operating segment, which reported a significant increase in revenues compared with the previous year. In the first half of 2022, the war between Russia and Ukraine, the aftermath of COVID-19, and global supply bottlenecks resulted in higher inflation rates in all markets in which the NOVOMATIC AG Group is active.

Group revenue (before gaming taxes and betting fees) increased from EUR 629.3 million in the previous year to EUR 1,319.1 million in the first half of 2022. This corresponds to an increase by EUR 689.7 million (+109.6 percent). The revenue increased both in the segment Gaming Technology and the segment Gaming Operations compared with the previous year.

Positive developments were evident in all regions. In the Gaming Technology segment, the market share in Germany, the NOVOMATIC AG Group's largest market, was increased. This was due to both the attractiveness of the new products and their performance in the rental of gaming machines, although the overall market decreased in size. Several of the Group's regions also benefited from higher demand for the sale of gaming machines, in particular Spain, the UK, the Other Markets region and Eastern Europe, although the planned expansion in Ukraine did not materialize. In the Gaming Operations segment, the successful expansion in the UK, together with the uniform brand appearance and the regulation of maximum stakes in licensed betting offices (LBOs), resulted in a positive earnings trend. Further contributions came in particular from the regions of Germany, Austria, Italy and Eastern Europe. The Online region, where business activities had been positively impacted by the pandemic and the associated lockdowns, continued to show an upward trend in the current reporting period, both in the Gaming Technology segment and in the Gaming Operations segment.

Earnings before interest, tax, depreciation and amortization (EBITDA) came in at EUR 371.1 million in the first half of 2022. Operating profit (EBIT) increased from EUR -37.5 million in the previous year's period by EUR 199.6 million to EUR 162.1 million. The result for the period was EUR 122.9 million, EUR 182.1 million above the previous year's level.

Important Events

The war between Ukraine and Russia that broke out in the first half of the year had no significant direct impact on the NOVOMATIC AG Group's net assets, financial position or results of operations due to the low overall exposure in these markets. Indirect influences on the NOVOMATIC AG Group result from the resulting impact on the global economy. Major price increases were seen in energy costs in particular.

In several markets, smaller businesses, primarily focusing on the operation of slot machines, were acquired. With these acquisitions, the Group aims to further consolidate and enhance its market position in the corresponding core markets.

The utilization of the revolving credit line of EUR 1.0 billion amounted to EUR 520.0 million as of June 30, 2022. In February 2022, NOVOMATIC AG made a buyback offer (buyback against cash payment) to the holders of the bond 2016-2023 (EUR 500 million, ISIN AT0000A1LHT0). The company has accepted all valid offers of the bonds for purchase. The result of the buyback offer led to the tendering of bonds with a total nominal amount of EUR 262.4 million. After the settlement, bonds with a nominal amount of EUR 237.6 million remain outstanding. Furthermore, short-term bilateral refinancing in the amount of EUR 140.0 million were repaid on schedule in the first half of 2022. Promissory note bonds in the amount of EUR 140.0 million were taken out in June 2022.

NOVOMATIC AG is assessed on an ongoing basis by the rating agency Standard & Poor's (S&P). With the rating report of June 29, 2022, the outlook for NOVOMATIC AG was revised from "Negative" to "Positive". The "BB" rating was confirmed. The reasons given for the improvement in the outlook included improved operating performance as well as declining debt levels. The positive outlook also reflects the possibility of a further upgrade in the next twelve months.

Consolidated Financial Statement for NOVOMATIC

Earnings Position

EUR m	1-6/2022	1-6/2021	Difference absolute	Difference in %
Revenues	1,319.1	629.3	689.7	109.6%
Gaming taxes and betting fees	-160.2	-56.2	-104.0	185.1%
Revenues less gaming taxes and betting fees	1,158.9	573.2	585.7	102.2%
Changes in inventories of finished goods and work in progress	15.7	-8.7	24.4	-
Own work capitalized	39.3	33.5	5.8	17.4%
Other operating income	58.2	96.5	-38.3	-39.7%
Cost of material and other purchased services	-154.3	-81.7	-72.6	88.8%
Personnel costs	-397.1	-227.8	-169.3	74.3%
Other operating expenses	-349.1	-222.1	-127.0	57.2%
EBITDA	371.7	162.9	208.9	128.2%
EBITDA margin	28.2%	25.9%	2.3 PP	-
Depreciation and amortization, impairment and reversal of impairment	-209.6	-200.4	-9.2	4.6%
EBIT	162.1	-37.5	199.6	-
EBIT margin	12.3%	-6.0%	18.3 PP	-
Financial result	-0.6	-17.4	16.8	96.6%
Earnings before taxes	161.6	-54.9	216.4	-
Income Taxes	-38.6	-4.3	-34.3	-790.6%
Result for the period	122.9	-59.2	182.1	-

Key figures from earnings position	1-6/2022	1-6/2021
EBITDA	371.7	162.9
Operating Result (EBIT)	162.1	-37.5
Earnings before interest expense and tax	180.7	-27.3
Profit margin	13.7%	-4.3%
Interest coverage ratio	846.0%	n.a.
Effective tax rate	-23.9%	7.9%

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

In the first half of 2022, the NOVOMATIC AG Group generated EUR 1,319.1 million in revenues, compared to EUR 629.3 million in the same period of 2021. The increase in revenues by EUR 689.7 million (+109.6 percent) was due to reduced COVID-19 measures as well as the good performance of and demand for NOVOMATIC products. The increase in Group revenues was attributable to all markets: Germany (EUR +175.3 million), Italy (EUR +120.3 million), the United Kingdom (EUR +108.7 million), Austria (EUR +98.9 million), Eastern Europe (EUR +63.0 million), Other markets (EUR +42.6 million), Spain (EUR +28.8 million), the Netherlands (EUR +26.4 million) and the Online division (EUR +25.8 million).

Due to the lower level of lockdowns and other restrictive measures in the first half of 2022, increases against the 2021 reporting period were recorded in all revenue items. In absolute terms, the largest increase in revenues was attributable to the item Income from slot machines, which rose by EUR 447.1 million (+292.0 percent). Here, the markets of Germany (+EUR 146.4 million), the United Kingdom (+EUR 96.1 million) and Italy (+EUR 62.9 million) recorded the most significant increases.

The income from rent and management services went up by EUR 76.1 million (+45.2 percent) to EUR 244.4 million. The increase in this item was mainly attributable to the Italian market (EUR +41.4 million).

Sales revenues amounted to EUR 189.7 million in the first half of 2022 (+EUR 60.3 million). The bulk of the increase is attributable to the Ainsworth Group (+EUR 18.3 million).

With an increase of EUR +54.3 million to EUR 119.1 million, the betting income also developed positively. This was primarily attributable to the Austrian companies, partly as a result of their increased presence in the online sports betting market.

The items Other sales (+EUR 24.8 million), Live game (+EUR 19.8 million), Income from food and beverage (+EUR 12.9 million) and eBusiness income (+EUR 3.0 million) also benefited from the gradual recovery of business operations in all markets. Due to the higher number of units sold, sales reductions increased by EUR 8.6 million year-on-year to EUR 41.4 million (+26.3 percent) in the reporting period.

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

Gaming taxes and betting fees, which depend largely on income from slot machines and betting income, increased from EUR 56.2 million to EUR 160.2 million (+185.1 percent) as a result of the positive business development.

Due to the increase in business activity and the higher number of units sold, the cost of material and other purchased services rose by EUR 72.6 million to EUR 154.3 million in the reporting period. Increased demand and production resulted in an increase in Changes in inventories of finished goods and work in progress of EUR 15.7 million, while in the previous year this item had been negative (EUR -8.7 million). Own work capitalized amounted to EUR 39.3 million (+17.4 percent).

Personnel costs increased by EUR 169.3 million to EUR 397.1 million (+74.3 percent) in the first half of 2022 and, in line with business development, are partly a result of the higher capacity utilization.

Other operating expenses increased by EUR 127.0 million, from EUR 222.1 million in the first half of 2021 to EUR 349.1 million in the first half of 2022. The increase is largely due to the higher level of business activity compared with the previous year. The largest impact came from other taxes, fees and charges (+EUR 20.4 million), energy costs (+EUR 13.4 million) and advertising costs (+EUR 12.0 million).

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the reporting period amounted to EUR 371.7. The increase by EUR 208.9 million (+128.2 percent) compared to the first half of 2021 (EUR 162.9 million) was due to higher revenues, as most of the restrictions on business activities due to COVID-19 no longer applied. At 28.2 percent, the EBITDA margin was 2.3 percentage points above the previous year's level. Scheduled depreciation, amortization, impairment and reversal of impairment increased by EUR 9.2 million (+4.6 percent) and amounted to EUR 209.6 million in the first half of 2022 after EUR 200.4 million in the previous year. The scheduled depreciation and amortization of property, plant and equipment, intangible assets and right-of-

use assets decreased by EUR 11.5 million (-5.6 percent) to EUR 192.5 million, while impairment, net of impairment reversals, changed from EUR 3.6 million to EUR -17.1 million.

Operating profit (EBIT) increased from EUR -37.5 million in the previous year by EUR 199.6 million to EUR 162.1 million in the first half of 2022.

The financial result improved from EUR -17.4 million to EUR -0.6 million. The increase (+EUR 16.8 million) was mainly due to lower interest expenses as a result of the repayment and refinancing of current and non-current financial liabilities.

Earnings before taxes improved to EUR 161.6 million during the reporting period. This corresponds to an increase by EUR 216.4 million. After taking income tax amounting to EUR -38.6 million into consideration, the Group was able to record a result of EUR 122.9 million for the first half of 2022, compared to EUR -59.2 million for the first half of 2021.

Important Key Figures

Leased gaming devices⁴

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online
1-6/2022	139,066	1,846	75,763	33,250 ⁶	-	4,262	65	14,005	9,532	343
1-6/2021	146,356	1,840	75,588	37,846	-	6,093	24	14,932	10,033	-

Operated Gaming Devices⁵

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online
1-6/2022	73,487	2,256	10,183	14,992 ⁶	20,042	6,183	4,147	15,233	451	-
1-6/2021	63,118	2,244	10,838	7,715	18,339	3,454	4,384	15,745	399	-

Sold Gaming Devices⁷

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online
1-6/2022	15,141	633	-	126	885	4,473	232	3,243	5,549	-
1-6/2021	11,224	1,365	-	0	253	3,074	209	2,743	3,580	-

Segment Analysis

EUR m	1-6/2022	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online
Revenues	1,319.1	167.7	319.4	155.0	141.8	77.2	34.7	179.5	114.8	128.9
Gaming Technology	504.8	22.6	141.5	69.1	16.8	29.9	2.7	47.9	114.3	60.1
Gaming Operations	813.3	145.1	177.7	85.9	124.9	47.3	32.0	131.6	0.0	68.8
Other	0.9	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.5	0.0

EUR m	1-6/2021	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online
Revenues	629.3	68.8	144.1	34.7	33.2	48.4	8.3	116.5	72.2	103.1
Gaming Technology	336.5	12.4	121.8	10.7	4.4	16.3	2.3	45.5	71.9	51.1
Gaming Operations	291.9	56.4	21.8	24.0	28.5	32.1	6.0	71.0	0.0	52.0
Other	1.0	0.0	0.4	0.0	0.2	0.0	0.0	0.0	0.3	0.0

EUR m	Change	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online
Revenues	689.7	98.9	175.3	120.3	108.7	28.8	26.4	63.0	42.6	25.8
Gaming Technology	168.3	10.2	19.7	58.4	12.4	13.6	0.4	2.4	42.3	9.0
Gaming Operations	521.4	88.7	155.8	61.9	96.4	15.2	26.0	60.6	0.0	16.8
Other	0.0	0.0	-0.2	0.0	-0.1	0.0	0.0	0.0	0.2	0.0

⁴ Number to third parties at the end of the period, irrespective of lockdowns, as at June 30

⁵ Number at the end of the period, irrespective of lockdowns, as at June 30

⁶ Shift of 5,551 devices from Leased gaming devices to Operated gaming devices

⁷ Number to third parties during the period

Segment Reporting Contents

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

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

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

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

Revenues of the NOVOMATIC AG Group increased from EUR 629.3 million to EUR 1,319.1 million in the first half of 2022 due to the positive business development. In the review period, the Gaming Technology segment generated revenues of EUR 504.8 million, the Gaming Operations segment EUR 813.3 million, and the Other segment EUR 0.9 million.



External revenues in the Gaming Technology segment amounted to EUR 504.8 million in the reporting period, representing an increase of EUR 168.3 million (+50.0 percent) over the previous year's level. The year-on-year increase was attributable to all regions, with the largest increase of EUR +58.4 million (+545.6 percent) recorded in Italy. In addition to the good performance of NOVOMATIC equipment, the higher revenues in this segment were also due to widespread removal of restrictive measures to contain COVID-19 in all regions.

External revenues in the Gaming Operations segment amounted to EUR 813.3 million in the first half of 2022. This corresponds to an increase of EUR 521.4 million or +178.7 percent compared to the previous year (EUR 291.9 million). The bulk of the increase was the result of measures to contain the spread of COVID-19 that had been in place in the first half of 2021. While around two thirds of the Group's gaming venues were temporarily closed in the first half of 2021, such restrictive measures only remained in force in very few markets at the beginning of 2022.

In the operating segment, all regions of the NOVOMATIC AG-Group can show a positive sales development in the first half of 2022 as well. The largest positive changes in revenue were attributable to the regions Germany (EUR +155.8 million), United Kingdom (EUR +96.4 million), Austria (EUR +88.7 million) and Italy (EUR +61.9 million).

External revenues in the Other segment amounted to EUR 0.9 million in the first half of 2022 and thus remained at the same level as in the previous year.

Austria

Gaming Technology

The focus of the companies in Austria allocated to the Gaming Technology segment is on the production and distribution of gaming devices.

Due to the lower level of restrictive measures in the respective sales markets, demand for gaming machines increased in the reporting period compared to the first half of 2021. Sales revenues increased by EUR 5.9 million (+61.3 percent) from EUR 9.6 million in the previous year to EUR 15.5 million. Overall, revenues in the Gaming Technology segment in Austria amounted to EUR 22.6 million, up EUR 10.2 million (+81.8 percent) on the first half of 2021 (EUR 12.4 million).

Gaming Operations

Most of the revenue generated by the companies active in Austria in the operating segment is derived from the sports betting market and the terrestrial slot machines.

During the first half of 2022, business activity increased gradually, while the level of restrictive measures was low. Revenues of all Austrian gaming and betting companies of the NOVOMATIC AG Group amounted to EUR 145.1 million during the reporting period, up EUR 88.7 million (+157.2 percent) from the previous year's level (EUR 56.4 million).

Germany

Gaming Technology

LÖWEN ENTERTAINMENT GmbH, a Group company headquartered in Germany and part of the Gaming Technology segment, focuses on the production and rental of gaming machines.

Due to the prevailing rental model, the sales of the companies in this segment were less affected by COVID-19 than those of other markets during the 2021 comparison period. The increase in revenues in the Gaming Technology segment in Germany by EUR 19.7 million (+16.2 percent) from EUR 121.8 million to EUR 141.5 million was mainly due to the discontinuation of the COVID-19 rent reduction model for contracting partners in the first half of 2022.

Gaming Operations

The major part of the revenues in the German market is generated in the area of commercial electronic gaming. On July 1, 2021, the new State Treaty on Gaming came into force, which set out a new regulatory framework for gaming, in particular in regards to the awarding of licenses. Most of the implementing laws passed by the respective states so far have resulted in fewer slot arcade closures than originally anticipated.

After the restrictive measures to combat COVID-19 had been successively lifted in Germany, NOVOMATIC's German operating business recovered. Individual regulatory changes, such as newly introduced non-smoker protection laws and curfew reductions in Lower Saxony, compensate for this development. NOVOMATIC is present in the online sports betting market in Germany through Novo Interactive GmbH. In the first half of 2022, the company was able to increase revenues by EUR 0.8 million (+34.5 percent) to EUR 2.9 million.

The NOVOMATIC AG Group also operates casinos in Germany. With the venerable Spielbank Berlin, NOVOMATIC operates one of the highest revenue generating live casinos in Germany. NOVOMATIC's German casinos generated revenues of EUR 61.4 million in the first half of 2022 (EUR +59.2 million).

Revenues of the Group companies in Germany falling under the Gaming Operations segment increased by EUR 155.8 million (+713.6 percent) compared with the previous year and amounted to EUR 177.7 million in the first half of 2022.

Italy

Gaming Technology

The Italian Group companies in the Gaming Technology segment generate their revenue in particular from the rental of gaming terminals and via revenue-sharing models.

While the Italian market was heavily impacted by COVID-19-related lockdowns in the comparison period, the first half of 2022 revealed a positive business trend. Total revenues of the Italian companies falling into the Gaming Technology segment came in at EUR 69.1 million in the first half of 2022, compared to EUR 10.7 million in the previous year, which constitutes an increase of EUR 58.4 million (+545.6 percent).

Gaming Operations

The majority of revenues in the Gaming Operations segment in Italy are generated by terrestrial electronic gaming. Similar to the situation in the Gaming Technology segment, the Gaming Operations segment was also heavily impacted by COVID-19 in the 2021 comparison period.

The revenues of all Italian companies operating in the Gaming Operations segment amounted to EUR 85.9 million in the reporting period, coming in approximately EUR 61.9 million (+257.9 percent) higher than in the previous year (EUR 24.0 million). The previous year's figure included a subsidiary based in Italy with revenues of EUR 16.1 million, which in the first half of 2022 was sold within the Group to the Greentube Group (Online region).

United Kingdom

Gaming Technology

The British market is one of the largest gaming markets in Europe. Gambling devices are distributed among pubs, licensed betting offices (LBOs), slot arcades, casinos and bingo centers.

The companies falling under the Gaming Technology segment in the United Kingdom generated revenues of EUR 16.8 million in the first half of 2022. Compared to the previous year (EUR 4.4 million), this represents an increase of EUR 12.4 million (+278.3 percent).

Gaming Operations

In contrast to the prior-year period, the first half of 2022 was not affected by temporary closures. In addition, the new regulation of LBOs, the impact of which was visible in the largely absent restrictions, is resulting in a positive development. At the beginning of the year, gaming machine revenues already exceeded the comparative values of 2019, the period before the pandemic. In total, the operating companies in the UK generated sales revenues of EUR 124.9 million, an increase of EUR 96.4 million (+338.1 percent) compared with the first half of 2021.

Spain

Gaming Technology

The Spanish market is also one of the largest gaming markets in Europe and therefore represents an important core market for the NOVOMATIC AG Group. Both the slot arcade and bar sectors are served with a comprehensive range of products.

Revenues of the Spanish companies assigned to the Gaming Technology segment amounted to EUR 29.9 million, EUR 13.6 million (+83.4 percent) higher than in the same period of the previous year (EUR 16.3 million). The increase is largely due to the good performance of NOVOMATIC devices, which generated higher sales revenues – especially after the FIJMA gaming fair held in Madrid in March 2022.

Gaming Operations

Similar to the situation in most other markets in which NOVOMATIC operates, there were only minor restrictive measures in Spain in the first half of 2022. Thanks to the good performance of NOVOMATIC devices and the company's own slot machines, revenues in this segment increased by EUR 15.2 million (+47.4 percent), from EUR 32.1 million to EUR 47.3 million.

The Netherlands

Gaming Technology

The focus of the Netherlands-based companies in the Gaming Technology segment is in the area of gaming machine rental and sales. Revenues of the Dutch companies falling under the Gaming Technology segment increased by EUR 0.4 million (+17.2 percent) from EUR 2.3 million in 2021 to EUR 2.7 million in 2022.

Gaming Operations

The Dutch market is divided into the operation of slot arcades and the bar business (single sites). In early 2022, the NOVOMATIC companies in the Gaming Operations segment were affected by temporary closures, while further restrictive measures continued. After these had ended, the market was able to gradually recover. Overall, revenues increased by EUR 26.0 million (+431.0 percent) in the first half of 2022, from EUR 6.0 million in the same period of the previous year to the current level of EUR 32.0 million.

Eastern Europe

Gaming Technology

Compared to the first half of 2021, revenues of the companies in the Eastern Europe region allocated to the Gaming Technology segment increased by EUR 2.4 million (+5.2 percent), from EUR 45.5 million to EUR 47.9 million in the first half of 2022. Most markets within this region were able to achieve a positive development, with the highest positive deviations being achieved by the markets in Romania (EUR +3.4 million) and Hungary (EUR +2.6 million). However, these developments are offset by the war in Ukraine, which caused sales in this market to fall by EUR 8.3 million (-90.5 percent) from EUR 9.2 million to EUR 0.9 million.

Gaming Operations

Most countries in this region were not affected by restrictive measures due to COVID-19 in the first half of 2022, and are accordingly showing positive revenue trends. The strongest increases were recorded in Latvia (+EUR 18.1 million), Serbia (+EUR 11.4 million) and Northern Macedonia (+EUR 11.2 million).

Combined, the companies included in this segment generated revenues of EUR 131.6 million in the first half of 2022. This corresponds to an increase of EUR 60.6 million (+85.4 percent) compared to the previous year.

Other Markets

Gaming Technology

Revenues of the companies falling under the Gaming Technology segment in the Other Markets region reached a level of EUR 114.3 million in the first half of 2022, compared to EUR 71.9 million in the previous year – an increase by EUR 42.4 million or +59.0 percent.

percent. The largest divergence can be found in the Australian group Ainsworth Game Technology which increased its revenues by EUR 23.6 million. Overall, the Australian group generated sales of EUR 78.7 million in the first half of 2022, compared with EUR 55.1 million in the previous year.

Online

Gaming Technology

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

Despite the absence of lockdowns, which had a positive impact on online business activities in the previous year, the companies of the Greentube Group allocated to the Gaming Technology segment generated revenues of EUR 60.1 million in the first half of 2022, representing revenue growth of EUR 9.0 million (+17.7 percent) compared with the first half of 2021.

Gaming Operations

The online/mobile B2C market is divided into the segments of Social Casinos (no payout of winnings) and Cash Casinos (gaming with payout of winnings).

The Greentube Group, which belongs to the NOVOMATIC AG Group, recorded a growth in revenues in the Gaming Operations segment by EUR 16.8 million (+32.3 percent) to EUR 68.8 million. The increase is attributable to an intragroup sale of a subsidiary based in Italy to the Greentube Group, which generated revenues of EUR 22.9 million in the first half of 2022.

Net Assets

EUR m	06/30/2022	12/31/2021	Difference absolute	Difference in %
ASSETS				
Non-current assets				
Intangible assets	763.8	775.0	-11.2	-1.4%
Right-of-use assets	525.0	531.2	-6.2	-1.2%
Property, plant and equipment	808.7	825.9	-17.2	-2.1%
Financial assets	209.5	223.6	-14.1	-6.3%
Other non-current assets	265.1	267.7	-2.6	-1.0%
	2,572.1	2,623.3	-51.2	-2.0%
Current assets				
Inventories	306.7	244.5	62.2	25.5%
Trade receivables, other receivables and assets	465.2	484.1	-18.9	-3.9%
Cash and cash equivalents	539.0	563.0	-24.0	-4.3%
Other current assets	46.0	28.8	17.2	59.9%
Non-current assets and disposal groups held for sale	0.6	0.6	0.0	-2.2%
	1,357.5	1,321.0	36.5	2.8%
TOTAL ASSETS	3,929.6	3,944.3	-14.7	-0.4%
EQUITY AND LIABILITIES				
Equity				
Share capital	26.6	26.6	0.0	0.0%
Capital reserve	85.4	85.4	0.0	0.0%
Retained earnings	1,052.6	932.9	119.7	12.8%
Revaluation reserve	53.7	66.4	-12.7	-19.2%
Currency translation adjustment	-80.4	-81.6	1.2	-1.5%
Non-controlling interests	151.8	142.6	9.3	6.5%
	1,289.7	1,172.3	117.5	10.0%
Non-current liabilities				
Non-current financial liabilities	1,086.6	1,113.0	-26.4	-2.4%
Non-current lease liabilities	499.0	504.1	-5.1	-1.0%
Non-current provisions	74.5	74.6	-0.1	-0.1%
Other non-current liabilities	134.1	145.0	-10.8	-7.5%
	1,794.2	1,836.7	-42.5	-2.3%
Current liabilities				
Current financial liabilities	171.3	321.5	-150.1	-46.7%
Current lease liabilities	109.5	109.0	0.5	0.4%
Trade payables and other liabilities	445.0	414.4	30.6	7.4%
Other current liabilities	119.9	90.5	29.4	32.5%
	845.7	935.3	-89.7	-9.6%
TOTAL EQUITY AND LIABILITIES	3,929.6	3,944.3	-14.7	-0.4%

Key figures on net worth and financial position	06/30/2022	12/31/2021
Gross debt (in EUR m)	1,866.4	2,047.6
Net debt (in EUR m)	1,248.8	1,406.3
Working capital (in EUR m)	511.8	385.6
Equity ratio	32.8%	29.7%
Net gearing ratio	1.6	2.4
ROCE	12.0%	5.7%

Gross debt is calculated as the sum of current and non-current financial liabilities and lease liabilities. Net debt is calculated as gross debt less cash, cash equivalents, precious metals and securities. Working capital is the difference between current assets and current liabilities. Equity ratio exhibits the portion of equity to total capital. The net gearing ratio is the ratio of net debt to operating profit plus depreciation and amortization, impairment and reversal of impairment (EBITDA). ROCE is the portion of the EBIT of the last twelve months in relation to the sum of equity and long-term liabilities.

The balance sheet total decreased against December 31, 2021 by EUR 14.7 million (-0.4 percent) and amounted to EUR 3,929.6 million as of June 30, 2022.

Non-current assets decreased by EUR 51.2 million (-2.0 percent) to EUR 2,572.1 million. The main contributors to this decrease were the items financial assets and property, plant and equipment.

Compared with the previous year, financial assets decreased by EUR 14.1 million (-6.3 percent) to EUR 209.5 million, mainly due to a write-down of other investments (EUR -13.4 million) recognized directly in equity.

Property, plant and equipment decreased by EUR 17.2 million (-2.1 percent) to EUR 808.7 million in the first half of 2022. This was primarily the result of the decrease in the item Gaming machines (EUR -12.3 million).

Intangible assets decreased by EUR 11.2 million (-1.4 percent) to EUR 763.8 million. The negative development was mainly attributable to licenses and concessions (EUR -14.6 million) due to the ongoing amortization. Right-of-use assets decreased by EUR 6.2 million (-1.2 percent).

Current assets increased by EUR 36.5 million (+2.8 percent) and amounted to EUR 1,357.5 million as of June 30, 2022. The largest increase in this item relates to inventories, which rose by EUR 62.2 million (+25.5 percent) to EUR 306.7 million due to the development of the procurement market. Decreases in the items Cash and cash equivalents (EUR -24.0 million) due to the repayment of debt financing and Trade receivables, other receivables and assets (EUR -18.9 million) offset this increase.

Equity increased by EUR 117.5 million (+10.0 percent) to EUR 1,289.7 million during the reporting period. This increase was mainly due to retained earnings, which rose by EUR 119.7 million (+12.8 percent) to EUR 1,052.6 million.

At EUR 1,794.2 million, non-current liabilities show a decrease of EUR 42.5 million (-2.3 percent). The decline was primarily due to non-current financial liabilities, which fell by EUR 26.4 million (-2.4 percent) to EUR 1,086.6 million as a result of the agreed repayment of several ÖKB loans as well as the early partial repayment of the bond, which was partially refinanced by taking out promissory note loans.

Current liabilities decreased by EUR 89.7 million (-9.6 percent) to EUR 845.7 million in the first half of 2022. The decrease is mainly attributable to current financial liabilities due to the repayment of short-term financing. The decline is offset by increases in the trade payables and other liabilities (+EUR 30.6 million) as well as in the current income tax liabilities (+EUR 20.4 million).

Financial Position

EUR m	1-6/2022	1-6/2021	Change absolute	Change %
EBIT	162.1	-37.5	199.6	-
Cash flow from operating activities	346.3	87.5	258.8	295.7%
Cash flow from investing activities	-103.2	-45.6	-57.7	126.6%
Free cash flow	243.1	42.0	201.1	479.2%
Cash flow from financing activities	-263.8	-145.3	-118.5	81.6%
Changes to cash and cash equivalents	-24.0	-97.4	73.4	-75.4%

Across the Group, cash flow from earnings totaled EUR 377.1 million in the first half of 2022, compared to EUR 150.2 million in the previous year. Cash flow from operating activities comprises the operating profit, adjusted for depreciation, amortization and impairment losses and impairment reversals on fixed assets, losses and gains on the disposal of fixed assets and businesses, and other non-cash income and expenses.

Cash flow from operating activities amounted to EUR 346.3 million. The year-on-year increase of EUR 258.8 million is mainly attributable to the positive development of cash flow from earnings.

Cash flow from investing activities amounted to EUR -103.2 million in the first half of 2022 and was influenced in particular by investments in intangible assets and property, plant and equipment (EUR -129.3 million). These investments were higher than in the previous year (EUR -102.6 million), in particular due to the positive outlook following the end of the lockdowns and other measures.

Free cash flow is calculated as the sum of cash flows from operating activities and investing activities, and amounted to EUR 243.1 million in the first half of 2022.

Cash flow from financing activities amounted to EUR -263.8 million during the reporting period. In the first half of the year, a bond was partially redeemed ahead of schedule (EUR -262.4 million). Other significant impacts on cash flow from financing activities resulted from taking out promissory note loans (EUR +140.0 million), as well as from the repayment of TLTRO and ÖKB financing (EUR -171.9 million), payments for lease obligations (EUR -62.3 million), and interest paid and interest-like payments (EUR -23.6 million).

(4) Non-Financial Performance Indicators

Regarding the reporting of the consolidated non-financial statement, reference is made to the separate, non-financial report 2021 of NOVOMATIC AG according to the Sustainability and Diversity Improvement Act (NaDiVeG).

(5) Prospective Development of the Group

In its latest analysis, the International Monetary Fund (IMF) assumes a global growth rate of 3.2 percent⁸ for 2022, representing a 2.9 percentage point decline against the previous year (6.1 percent). The forecast for 2023 calls for growth of 2.9 percent.

The supply bottlenecks already experienced worldwide in 2021 and the first half of 2022 are expected to continue to cause volatility on the procurement market in the second half of 2022. In order to avoid any significant impact on production, the NOVOMATIC AG Group implemented strategic measures on the procurement market at an early stage. Moreover, under the current market conditions, the Group is benefiting in particular from its vertical integration and in-house value added in manufacturing. Further impacts on the cost structure, such as the already prevailing increases in energy and personnel costs, remain difficult to assess.

Overall, the business environment for the NOVOMATIC AG Group remains very dynamic. Taking these general conditions and developments into account, business is expected to continue to develop positively in 2022 and 2023.

(6) Risk Management

NOVOMATIC's annual financial report for the 2021 fiscal year details the important risks and uncertainties that could have a significant negative impact on the NOVOMATIC Group's asset, financial and earnings position.

The annual report for the 2021 fiscal year furthermore includes a detailed description of the structure of the risk management system, as well as the main characteristics of the internal controlling system regarding the accounting process.

⁸ According to the World Economic Outlook Update dated July 2022 provided by the International Monetary Fund (IMF)

Consolidated Balance Sheet

EUR m	06/30/2022	12/31/2021
ASSETS		
Non-current assets		
Intangible assets	763.8	775.0
Right-of-use assets	525.0	531.2
Property, plant and equipment	808.7	825.9
Investment property	26.1	25.9
Investments in associated companies	2.8	2.8
Financial assets	209.5	223.6
Deferred tax assets	138.8	141.8
Other non-current assets	97.4	97.2
	2,572.1	2,623.3
Current assets		
Inventories	306.7	244.5
Trade receivables, other receivables and assets	465.2	484.1
Current tax receivables	28.9	15.8
Current financial assets	17.2	13.0
Cash and cash equivalents	539.0	563.0
Non-current assets and disposal groups held for sale	0.6	0.6
	1,357.5	1,321.0
Total ASSETS	3,929.6	3,944.3
EQUITY AND LIABILITIES		
Equity		
Share capital	26.6	26.6
Capital reserve	85.4	85.4
Retained earnings	1,052.6	932.9
Revaluation reserve	53.7	66.4
Currency translation adjustment	-80.4	-81.6
	1,137.9	1,029.7
Non-controlling interests	151.8	142.6
	1,289.7	1,172.3
Non-current liabilities		
Non-current financial liabilities	1,086.6	1,113.0
Non-current lease liabilities	499.0	504.1
Non-current provisions	74.5	74.6
Deferred tax liabilities	112.6	122.9
Other non-current liabilities	21.5	22.1
	1,794.2	1,836.7
Current liabilities		
Current financial liabilities	171.3	321.5
Current lease liabilities	109.5	109.0
Current provisions	62.4	53.5
Current tax liabilities	57.4	37.0
Trade payables and other liabilities	445.0	414.4
	845.7	935.3
Total EQUITY AND LIABILITIES	3,929.6	3,944.3

Consolidated Income Statement

EUR m	01-06/2022	01-06/2021
Revenues	1,319.1	629.3
Gaming taxes and betting fees	-160.2	-56.2
Revenues less gaming taxes and betting fees	1,158.9	573.2
Changes in inventories of finished goods and work in progress	15.7	-8.7
Own work capitalized	39.3	33.5
Other operating income	58.2	96.5
Cost of material and other purchased services	-154.3	-81.7
Personnel costs	-397.1	-227.8
Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property	-145.7	-144.6 ¹
Amortization, depreciation, impairment and reversal of impairment for right-of-use assets	-63.9	-55.7 ¹
Other operating expenses	-349.1	-222.1 ¹
Operating profit	162.1	-37.5
Share of profit/loss of associated companies	0.7	0.0
Interest income	4.4	2.8
Other financial income	14.0	13.3
Interest expenses	-6.1	-14.9
Interest expenses for leases	-13.1	-12.6 ¹
Other financial expenses	-4.3	-7.5
Currency exchange gains/losses from intra-group financing	3.7	1.6
Financial result	-0.6	-17.4
Earnings before taxes	161.6	-54.9
Income taxes	-38.6	-4.3 ¹
Result for the period	122.9	-59.2
thereof attributable to non-controlling interests	3.5	-3.7
thereof attributable to shareholders of the parent (net profit)	119.4	-55.5

Consolidated Statement of Comprehensive Income

EUR m	01-06/2022	01-06/2021
Result for the period	122.9	-59.2
Amounts that will be reclassified to income statement in subsequent periods		
Currency translation	6.9	12.0 ¹
Amounts that will not be reclassified to income statement in subsequent periods		
Financial assets measured at fair value through other comprehensive income (equity instruments)	-17.2	2.3
Apportionable income taxes	4.5	-0.4
Other comprehensive income after taxes	-5.8	13.9
Total comprehensive income	117.1	-45.3
thereof attributable to non-controlling interests	8.8	-2.5
thereof attributable to shareholders of the parent (net profit)	108.3	-42.8

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

Consolidated Cash Flow Statement

EUR m	01-06/2022	01-06/2021
Operating profit	162.1	-37.5
Loss (+) / Gain (-) from the disposal of fixed assets	-3.7	-13.0
Depreciation (+) / Appreciation (-) of fixed assets	218.7	200.7
	377.1	150.2
Increase (-) / Decrease (+) in inventories	-49.9	4.3
Increase (-) / Decrease (+) in receivables and other assets	13.0	-78.6 ¹
Increase (+) / Decrease (-) in provisions	8.6	-13.4
Increase (+) / Decrease (-) in liabilities and other liabilities	26.5	21.6
Interest received and interest-related income	5.1	6.4
Taxes paid	-34.1	-2.9
Cash flow from operating activities	346.3	87.5
Proceeds from the disposal of fixed assets (excluding financial assets)	26.7	57.3
Proceeds from the disposal/repayment of financial assets	1.4	1.7
Proceeds from the disposal of consolidated companies, net of cash	0.1	1.1
Acquisition of intangible assets, property, plant and equipment	-129.3	-102.6
Acquisition of financial assets and other financial investments	-4.9	-3.4
Acquisition of consolidated companies, net of cash (incl. prepayments)	-11.0	-6.9
Net proceeds from associated companies and investments	13.8	7.3
Cash flow from investing activities	-103.2	-45.6
Dividend payments	0.0	-0.8
Expenditures for change in interests in subsidiaries (without change of control)	-0.7	0.0
Payouts from the repayment of bonds	-262.4	-200.0
Proceeds from bank loans and financial liabilities	275.0	182.5
Payouts from bank loans and financial liabilities	-189.8	-37.6
Payouts from leasing obligations	-62.3	-57.0
Interest paid and interest-related payments	-23.6	-32.4
Cash flow from financing activities	-263.8	-145.3
Net change in cash and cash equivalents	-20.7	-103.3
Currency translation adjustments	-3.3	3.6
Changes in cash and cash equivalents due to changes in scope of consolidation	0.0	2.2
Net change in cash and cash equivalents	-24.0	-97.4
Cash and cash equivalents at the beginning of the period	563.0	531.9
Cash and cash equivalents at the end of the period	539.0	434.5
Net change in cash and cash equivalents	-24.0	-97.4

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

Consolidated Statement of Changes in Equity

EUR m	Shares of shareholders of NOVOMATIC AG						Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	IFRS 9 Reserve	Currency translation adjustment	Total		
As of 1/1/2022	26.6	85.4	932.9	66.4	-81.6	1,029.7	142.6	1,172.3
1) Total comprehensive income								
Result for the period	0.0	0.0	119.4	0.0	0.0	119.4	3.5	122.9
Other comprehensive income	0.0	0.0	0.0	-12.7	1.6	-11.1	5.3	-5.8
2) Dividend payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3) Change in non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
4) Changes in the scope of consolidation	0.0	0.0	0.3	0.0	-0.4	-0.1	0.0	-0.1
As of 06/30/2022	26.6	85.4	1,052.6	53.7	-80.4	1,137.9	151.8	1,289.7

EUR m	Shares of shareholders of NOVOMATIC AG						Non-controlling interests	Equity
	Share capital	Capital reserve	Retained earnings	IFRS 9 Reserve	Currency translation adjustment	Total		
As of 1/1/2021	26.6	85.4	844.3	27.4	-97.0	886.6	168.5	1,055.2
1) Total comprehensive income								
Result for the period	0.0	0.0	-55.5 ¹⁾	0.0	0.0	-55.5	-3.7	-59.2
Other comprehensive income	0.0	0.0	-6.7	8.6	10.8 ¹⁾	12.7	1.2	13.9
2) Dividend payments	0.0	0.0	0.0	0.0	0.0	0.0	-0.8	-0.8
3) Change in non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	1.1 ¹⁾	1.1
4) Changes in the scope of consolidation	0.0	0.0	-0.7 ¹⁾	0.0	-0.1	-0.8	3.3 ¹⁾	2.5
As of 06/30/2021	26.6	85.4	781.3	36.0	-86.3	843.0	169.6	1,012.6

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

Selected Explanatory Notes to the

CONSOLIDATED INTERIM FINANCIAL STATEMENT

(1) Information about the Company

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

(2) Accounting Principles

The present Consolidated Interim Financial Statements of NOVOMATIC AG as of June 30, 2022, were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU applicable for interim financial reports. The accounting policies of December 31, 2021 have been applied unchanged, with the exception of the amended standards described below. For more information, please refer to the Consolidated Financial Statements of NOVOMATIC AG as of December 31, 2021.

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

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

(3) Scope of Consolidation

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

- easybet7 GmbH, Austria
- Atlantic Sportwetten GmbH, Austria
- Automáticos Luna S.L., Spain
- Recreativos Cenzano S.A., Spain
- Unimatic S.A., Spain
- NOVOMATIC AMERICAS PUERTO RICO LLC, Puerto Rico

The scope of consolidation has developed as follows:

Scope of consolidation	fully-consolidated	valued at-equity
As of 1/1/2022	196	2
First-time inclusion in 2022	6	0
Disposed of in 2022	-1	0
Merged in 2022	-3	0
As of 06/30/2022	198	2
of which non-Austrian companies	183	1

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

(4) Accounting and Valuation Methods

Standards and Interpretations to be Applied for the First Time in the 2022 Fiscal Year

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

Standard / Interpretation		Must be applied in fiscal years from
IFRS 3	Amendment: Reference to the Conceptual Framework	January 1, 2022
IAS 37	Amendment: Onerous contracts - costs of fulfilling a contract	January 1, 2022
IAS 16	Amendment: Property, plant and equipment - proceeds before intended use	January 1, 2022
Diverse	Annual Improvements to IFRS Standards - 2018-2020 Cycle	January 1, 2022

(5) Impact of the COVID-19 pandemic and the Ukraine crisis

In the first half of 2022, there was a broad recovery in business activity, which was partly due to the eased COVID 19 measures. As a result, the Group's business activities in the two areas of Gaming Operations and Gaming Technology developed positively.

The war between Ukraine and the Russian Federation combined with international sanctions is having a global economic impact. The Group's overall exposure to these markets is of subordinate importance. Nevertheless, there are indirect consequences from rising energy prices, supply chain shortages and high market volatility.

Further developments are monitored by the Group, and the impact on the Group's operating activities and liquidity is reassessed at regular intervals.

(6) Company Acquisitions

(6.1) Company acquisitions in 2021

In January 2021, 70 percent of the shares in ZBET.RS d.o.o. and 100 percent of the shares in its subsidiary ADRIA GAMING d.o.o. in Serbia were acquired. The acquired companies are operators of approximately one hundred and fifty betting shops and three gaming arcades. With this acquisition, the Group aims to further consolidate and enhance its position in this market.

As of the reporting date for the interim financial statement 2021, this company acquisition had partly been accounted for on the basis of provisional figures in accordance with IFRS 3. The figures have now been finalized, meaning that the final fair values at the date of acquisition are as follows:

EUR m	Fair values
Intangible assets	11.1
Right-of-use assets	8.0
Property, plant and equipment	4.7
Other non-current assets	1.0
Deferred tax assets	0.1
Inventories	0.1
Cash and cash equivalents	0.5
Other current assets	0.1
Non-current liabilities and provisions	-10.5
Deferred tax liabilities	-1.0
Current liabilities and provisions	-3.5
Net assets	10.5
Non-controlling interests	-3.3
Goodwill	13.6
Consideration	20.9

The consideration of EUR 20.9 million has already been fully paid in cash. 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 goodwill resulting from this acquisition is not tax-deductible. Revenue amounts to EUR 7.0 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR -1.9 million.

(6.2) Company acquisitions in 2022

In January 2022, the acquisition of 100 percent of the shares in the two Austrian companies easybet 7 GmbH and Atlantic Sportwetten GmbH was completed. Together, the acquired companies operate around 430 betting terminals in the federal states.

In March 2022, 100 percent of the shares in the Spanish companies Recreativos Cenzano S.A. and Automaticos Luna S.L. were acquired. In addition, the acquisition of 100 percent of the shares in Unimatic S.A., also in Spain, was completed in April 2022. These acquired companies operate a total of 8 gaming arcades.

With these acquisitions and other smaller asset deals, the Group aims to further strengthen and expand its market position in the core markets.

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

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

EUR m	preliminary fair values
Intangible assets	4.7
Right-of-use assets	0.0
Property, plant and equipment	1.9
Other non-current assets	0.1
Deferred tax assets	0.2
Inventories	0.0
Cash and cash equivalents	3.5
Other current assets	0.3
Non-current liabilities and provisions	-0.2
Deferred tax liabilities	-0.8
Current liabilities and provisions	-1.9
Net assets	7.9
Goodwill	9.9
Consideration	17.7

The consideration amounting to EUR 17.7 million has already been paid with EUR 14.5 million in cash. 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 goodwill resulting from this acquisition will probably not be tax-deductible. Revenue amounts to EUR 3.1 million since the acquisition date, whereas the result for the period since the acquisition date amounts to EUR 0.0 million.

(7) Notes to the Consolidated Balance Sheet

(7.1) Intangible Assets

Goodwill is reported under intangible assets with a carrying amount of EUR 300.8 million (previous year: EUR 293.2 million). The change results mainly from the preliminary accounting of the acquisitions mentioned above.

(7.2) Right-of-Use Assets

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

EUR m	Real estate	Gaming devices	Office and business equipment, vehicle fleet	Total
As of 1/1/2022	504.6	21.0	5.6	531.2
Currency translation adjustments	-0.9	0.0	0.0	-1.0
Additions	63.7	4.2	1.2	69.1
Disposals	-8.7	-1.5	-0.2	-10.4
Depreciation/amortization	-48.1	-4.5	-1.6	-54.2
Impairment	-14.4	0.0	0.0	-14.4
Reversal of an impairment	4.7	0.0	0.0	4.7
As of 06/30/2022	500.9	19.1	5.0	525.0

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

(7.3) Impairments and Reversals of Impairments

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

Based on the analysis of the past surpluses in earlier impairment tests, the experience to date from the reopenings after the local lockdowns as well as the corresponding expectations for the future, impairments were recognized especially in following two markets.

Based on the impairment test performed, an impairment loss of EUR 3.5 million is required for the CGU Gaming Technology – Ainsworth as of June 30, 2022.

Furthermore, the evaluation of the individual gaming facilities resulted in a write-up of EUR 7.6 million in Germany. This is offset by an impairment in the amount of EUR 20.2 million.

(7.4) Financial Assets

The NOVOMATIC Group indirectly holds a 9.45 percent interest in Österreichische Lotterien Gesellschaft m.b.H. (ÖLG) which is recognized under "Other investments" with a fair value of EUR 155.0 million (previous year: EUR 162.5 million).

(7.5) Cash and Cash Equivalents

Bank balances amounted to EUR 394.3 million (previous year: EUR 430.1 million). The stated cash in the amount of EUR 144.7 million (previous year: 132.9 EUR million) largely serves as cash reserves and base filling of the gaming machines at the various gaming establishments.

(7.6) Non-Current and Current Financial Liabilities

In February 2022, NOVOMATIC AG made a buyback offer (buyback against cash payment) to the holders of the bond 2016-2023 (EUR 500, ISIN AT0000A1LHT0). The company has accepted all valid offers of the bonds for purchase. The result of the buyback offer led to the tendering of bonds with a total nominal amount of EUR 262.4 million. After the settlement, bonds with a nominal amount of EUR 237.6 million remain outstanding.

With regard to long-term financing, promissory note bonds with a volume of EUR 140.0 million were taken out and the revolving credit lines were further utilized in the amount of EUR 110.0 million.

Short-term bilateral financing in the amount of EUR 140.0 million was repaid as agreed.

(7.7) Non-Current and Current Lease Liabilities

The lease liabilities recognized in the balance sheet result from the application of IFRS 16 Leases. The lease payments are divided into a repayment component and a financing component. The repayment portion is offset against the existing lease liabilities, while the financing component is recognized as interest expense in the income statement.

(8) Notes to the Income Statement

The income statement was prepared applying the total cost method.

(8.1) Revenues

EUR m	01-06/2022	01-06/2021
Sale revenues	189.7	129.5
Operation of slot machines	600.2	153.1
Live game	23.4	3.6
Income from rent and management services	244.3	168.3
Betting income	119.1	64.8
eBusiness income	127.1	124.1
Income from food and beverage	15.4	2.5
Other sales	41.2	16.4
Sales reduction	-41.4	-32.8
Total	1,319.1	629.3

(8.2) Taxes on Income

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

(9) Notes on Segment Reporting

Segment Revenues

EUR m						01-06/2022
	Gaming Technology	Gaming Operations	Other	Reconciliation		Total
External revenues	504.8	813.3	0.9			1,319.1
Intra-segment revenues	65.2	7.3	3.7	-76.2		0.0
Total revenues	570.1	820.6	4.7	-76.2		1,319.1

EUR m						01-06/2021
	Gaming Technology	Gaming Operations	Other	Reconciliation		Total
External revenues	336.5	291.9	1.0	0.0		629.3
Intra-segment revenues	54.2	5.3	3.6	-63.0		0.0
Total revenues	390.7	297.2	4.5	-63.0		629.3

Segment Result

EUR m						01-06/2022
	Gaming Technology	Gaming Operations	Other	Reconciliation		Total
Segment result (EBIT)	116.3	48.5	-1.1	-1.5		162.1
Financial result						-0.6
Earnings before taxes						161.6
Income taxes						-38.6
Result for the period						122.9

EUR m						01-06/2021
	Gaming Technology	Gaming Operations	Other	Reconciliation		Total
Segment result (EBIT)	31.8	-68.5	-1.2	0.3		-37.5
Financial result						-17.4
Earnings before taxes						-54.9
Income taxes						-4.3
Result for the period						-59.2

Geographical Information

The Group recorded the following revenues in the individual regions:

EUR m										01-06/2022
	Austria	Germany	Italy	United Kingdom	Spain	Netherlands	Eastern Europe	Other countries	Online	Total
Gaming Technology	22.6	141.5	69.1	16.8	29.9	2.7	47.9	114.3	60.1	504.8
Gaming Operations	145.1	177.7	85.9	124.9	47.3	32.0	131.6	0.0	68.8	813.3
Other	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.5	0.0	0.9
Revenues	167.7	319.4	155.0	141.8	77.2	34.7	179.5	114.8	128.9	1,319.1

EUR m										01-06/2021
	Austria	Germany	Italy	United Kingdom	Spain	Netherlands	Eastern Europe	Other countries	Online	Total
Gaming Technology	12.4	121.8	10.7	4.4	16.3	2.3	45.5	71.9	51.1	336.5
Gaming Operations	56.4	21.8	24.0	28.5	32.1	6.0	71.0	0.0	52.0	291.9
Other	0.0	0.4	0.0	0.2	0.0	0.0	0.0	0.3	0.0	1.0
Revenues	68.8	144.1	34.7	33.2	48.4	8.3	116.5	72.2	103.1	629.3

(10) Notes on Financial Instruments

Valuation of Financial Instruments

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

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

For financial reporting purposes, some of the Group's assets and liabilities are measured at fair value in accordance with the fair value hierarchy.

EUR m	06/30/2022	12/31/2021	Hierarchy
Financial assets			
Holdings in non-consolidated entities	14.1	10.4	Level 3
Investments – Other	18.2	24.6	Level 3
Investments – Financial investments	155.0	162.5	Level 3
Securities – Equity instruments	22.2	26.0	Level 1
Securities – Debt instruments	0.5	1.1	Level 1
Derivatives (positive market values)	0.8	0.1	Level 2
Financial liabilities			
Purchase price obligations – Contingent considerations	4.1	3.6	Level 3

Shares in non-consolidated affiliated companies are recognized in the income statement at fair value through profit or loss and other equity interests are recognized at fair value in other comprehensive income with no effect on income. The valuation is based on recognized income approaches. The underlying cash flows from the multi-year plan are discounted using a country-specific interest rate.

The financial investments include the indirectly held 9.45 percent interest in Österreichische Lotterien Gesellschaft m.b.H. (ÖLG). For the market value measurement of the financial investment in ÖLG, internally created company valuations were used, applying recognized multiplier methods. An industry multiple derived from a peer group of seven international lottery companies was applied. The main input factor for this is the average ratio of enterprise value (EV) to EBITDA or to EBIT for the selected peer group which is based on current market data and represents the average market capitalization. At the time of submitting the offer or acquiring the interest, the EV/EBITDA multiplier was 7.83 and the EV/EBIT multiplier 8.89. The updated determination of the stated multipliers led to an EV/EBITDA multiplier of 7.89 and an EV/EBIT multiplier of 13.97. Firstly, the pro-rated EBITDAs and EBITs of ÖLG and its (sub-)subsidiaries from the most recent financial information were calculated using these two multipliers. The entity value so calculated was increased by the net financial assets or reduced by the net financial liabilities, and adjusted for the pro rata equity of subordinated investments. Based on this equity 100 percent of the shares, the proportional market value for the 9.45 percent investment was determined. This remeasurement of financial investments was recorded in equity, resulting in a revaluation of around EUR -7.6 million which had no impact on income in the current reporting period. An increase in the multiplier by 0.5 would lead to an increase in the fair value by EUR 7.1 million, and an increase in the underlying EBITDA/EBIT of the valuation item by 10 percent would result in an increase in the fair value of around EUR 14.8 million.

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

The Group has designated the aforementioned equity instruments – other investments, financial investments and securities – at fair value through equity in other comprehensive income.

The derivative financial instruments comprise 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 rate curves on the balance sheet date or the most recently applicable interest rate curve prior to the balance sheet date (June 30, 2022)). Market valuations of derivative financial instruments are carried out by the Group's own treasury management system, as well as the banks involved. The market value of derivatives corresponds to the value that the individual company would receive or have to pay if the contract was settled as of the balance sheet date. Changes in fair value are recorded in profit and loss.

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

EUR m	06/30/2022		12/31/2021	
	Nominal value	Market value	Nominal value	Market value
USD forward contract – positive market value	9.4	0.8	1.9	0.1
USD forward contract – negative market value	0.0	0.0	0.0	0.0
Total	9.4	0.8	1.9	0.1

For USD forward contracts, the change in fair value is recognized in the income statement.

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 1.6 million (previous year: EUR 1.2 million) under the other non-current liabilities (purchase price obligations) and with EUR 2.5 million (previous year: EUR 2.3 million) under the other current liabilities (purchase price obligations).

b) Fair Value of Other Financial Assets and Liabilities

For financial instruments valued at cost, the following table provides an overview of the book values as well as the corresponding fair values:

		06/30/2022		12/31/2021	
EUR m	Book value	Fair value	Book value	Fair value	Hierarchy
Financial liabilities					
Bonds	236.2	233.7	498.1	495.7	Level 1
Bank liabilities	1,001.9	1,001.1	919.4	921.9	Level 2

For the fair value of the bonds, the stock market price on the valuation date or the last valid market price prior to the balance sheet date (June 30, 2022) was used. The market value of bank obligations is determined by discounting future fixed cash flows related to these obligations at the market interest rate on the balance sheet date.

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

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

(11) Other Information

Related Party Transactions

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

Seasonality of the Business

The business performance of the NOVOMATIC Group is generally not characterized by any significant seasonal fluctuations.

Contingent Liabilities

There were no material changes to the contingent liabilities.

Dividends

The Annual General Meeting on March 29, 2022 approved the carryforward of the entire annual result for 2021, including the profit carried forward. No dividend was distributed to the shareholders of NOVOMATIC AG.

Compulsory Statement on the Review by an Auditor

The interim financial report 2022 was subject to neither a complete audit nor a review by an auditor.

(12) Subsequent Events after the End of the Interim Reporting Period

No significant events occurred after the end of the interim reporting period.

Statement by the Executive Board

We confirm that to the best of our knowledge the consolidated interim financial statements of NOVOMATIC AG as of June 30, 2022 give a true and fair view of the net assets, financial position and results of operations of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and that the consolidated management report for the first half of the year 2022 gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties which the Group faces.

Gumpoldskirchen, September 02, 2022

The Executive Board of NOVOMATIC AG

Ryszard Presch

Member of the Executive Board

Johannes Gratzl

Member of the Executive Board