



NOVOMATIC AG

Interim Financial Report
as of June 30, 2019

Overview of Key Figures

EUR m	01 - 06/2019	01 - 06/2018	Change	
			million	%
Revenues	1,264.7	1,287.3	-22.6	-1.8 %
EBITDA	297.1	313.0	-15.9	-5.1 %
Operating profit (EBIT)	47.5	158.2	-110.7	-70.0 %
Result for the period	34.3	109.9	-75.7	-68.8 %
EBITDA margin (EBITDA/revenues)	23.5 %	24.3 %		
Free cash flow before acquisitions	146.0	-3.1	+149.1	
Free cash flow after acquisitions	186.2	-297.0	+483.3	

EUR m	6/30/2019	12/31/2018	Change	
			million	%
Balance sheet total	4,766.2	4,099.1	+667.1	+16.3 %
Shareholders' equity	1,367.9	1,358.6	+9.3	+0.7 %
Equity ratio (equity/balance sheet total)	28.7 %	33.1 %		
Number of employees (average)	22,642	23,495		-3.6 %

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Consolidated Management Report

1. Purpose of the Business and Strategy

NOVOMATIC is an integrated global gaming technology and entertainment group with nearly 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 2,000 gaming facilities, which include casinos, slot arcades, sports betting outlets and bingo facilities.

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

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

2. Economic Conditions

In July 2019, the economists of the International Monetary Fund (IMF) updated their growth forecast for 2019¹, which at 3.2 percent is now 0.1 percentage points below the forecast published in April 2019² and 0.4 percentage points below the previous year's level. The main reasons for these adjustments are the trade conflict between the United States and China, the uncertainty related to the United Kingdom's departure from the European Union, and the restrained investment activity worldwide. For 2020, global growth is forecast at 3.5 percent, which also constitutes a downward revision by 0.1 percentage points compared with the report published in April.

For the emerging and developing countries, the IMF forecasts economic growth of 4.1 percent in 2019 (-0.3 percentage points compared to the April forecast) and 4.7 percent in 2020 (-0.1 percentage points). This downward revision of the forecast reflects the global slowdown in economic growth. Meanwhile, after a strong first quarter, accelerated growth of 2.6 percent is forecast for the United States.

Growth in the eurozone is forecast to amount to 1.3 percent in 2019, while the figure for 2020 increased by 0.1 percentage points to 1.6 percent. The 2019 forecast for Germany was revised slightly downwards (-0.1 percentage points), mainly due to weaker than expected foreign demand, which is also impacting investment. The 2019 forecasts for France (1.3 percent) and Italy (0.1 percent) remain unchanged from April. While growth in France is supported by fiscal policy measures, the uncertain budgetary outlook in Italy is having a negative impact on domestic demand as well as investment, as already forecast in April. Growth in the eurozone should accelerate later this year and into 2020, as external demand is expected to recover, while temporary factors continue to ease. In the United Kingdom, GDP growth is expected to be 0.1 percentage points below the previous year's level and is forecast at 1.3 percent in 2019.

¹ According to the IMF's World Economic Outlook Update July 2019

² According to the IMF's World Economic Outlook April 2019

According to estimates by the economists of the Austrian National Bank (Österreichische Nationalbank, ÖNB), GDP growth will decline by 1.2 percentage points to 1.5 percent in 2019³. The main reasons for the weaker growth rate all relate to the international business climate. In addition to the trade conflict between the United States and China and the uncertainty related to “Brexit”, the ailing German industry also has a considerable impact on the Austrian economy. While exports still grew by 4.2 percent in 2018, the ÖNB expects export growth to reach only 2.0 percent in 2019. Domestic demand, which remains stable on the back of a falling unemployment rate (-0.1 percentage points) and rising household incomes (2.2 percent), is preventing a stronger slump in economic growth. According to ÖNB estimates private consumption should remain stable and grow by 1.6 percent.

3. Business Performance

General Business Development in the Reporting Period

For NOVOMATIC, the first half of 2019 was dominated by the adopted course of consolidation. In addition, the reporting period was impacted by consequences of changes in the legal frameworks in important NOVOMATIC core markets. Overall, declines in sales revenues in individual markets caused by regulatory challenges were almost entirely offset at the Group level. At approximately EUR 1.3 billion, group revenues were slightly below the previous year's level.

In Germany, the most important market for NOVOMATIC, industry-related framework conditions (State Treaty Amendment on Gaming, accompanying state laws on gaming arcades, amendment of the Gaming Ordinance) led to a substantial reduction in the market. In particular, due to the resulting decline in gaming terminals leased by NOVOMATIC in Germany by around 13,900 units, the rental portfolio at Group level decreased by nearly 11,500 units compared to the same period of the previous year to approximately 154,100 devices by the end of the first half of 2019. In addition, the income generated by the gaming devices in Germany has - as was to be expected - fallen significantly since the conversion carried out in November 2018, however they are recovering towards the previous year's level. In particular, the conversion to the new technical directive (TR 5.0) resulted in significantly higher own work capitalized in the amount of EUR 75.2 million in the previous year. In addition to the decline in own work capitalized compared to the previous year, higher depreciation, amortization and impairment charges had a negative impact on earnings in the first half of 2019.

Italy was impacted by further legal changes in the first half of 2019. Both the increase in stake-dependent gaming fees, which were raised several times at the beginning of 2019 and in the subsequent months, as well as tougher regulatory requirements for gaming operators (distance regulations, etc.), had a significant impact on the development of revenues and earnings.

In the United Kingdom, the maximum stakes for fixed-odds betting terminals (FOBTs) in licensed betting offices (LBOs) reduced from GBP 100 to GBP 2 as of April 1, 2019, bringing them in line with the maximum stakes in adult gaming centers (AGCs). This change in the law has already resulted in numerous closures of LBOs, which has had a positive effect on the revenue generation of AGCs. NOVOMATIC is the market leader in the operation of AGCs in the United Kingdom.

Due to performance problems in its home market of Australia, Ainsworth Game Technology Ltd. recorded a decline in revenues compared to the previous year.

The above-mentioned challenges caused the operating profit (EBIT) to decline. Accordingly, an EBIT of EUR 47.5 million was achieved in the first half of 2019. This represents a decrease of EUR 110.7 million compared to the previous year.

³ According to the OeNB's macroeconomic forecast for Austria 2019 to 2021
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Important Events

In addition to measures to optimize costs and increase efficiency, the consolidation strategy also resulted in the disposal of various investments that did not meet economic expectations. Following the sale of the I-NEW Group in the 2018 fiscal year, the Croatian subsidiaries, the OTIUM Group with operations in Spain and Latin America, and two Spanish casino companies were sold in the first half of 2019. In the second half of 2019, the bulk of the existing technology business in the United Kingdom is to be sold, once all regulatory requirements have been met.

In the first half of 2019, several smaller companies in Germany and Eastern Europe, primarily with a focus on the operation of slot arcades, were acquired. The purpose of these acquisitions is to further establish and expand the Group's market position in its European core markets.

In January 2019, a bond issued on January 28, 2013 (issue volume of EUR 250.0 million) was redeemed in the amount EUR 246.0 million. In the first half of 2019, the revolving credit line of a total volume of EUR 1.0 billion was drawn down by a further EUR 230.0 million. As of June 30, 2019, EUR 430.0 million had been utilized.

The international rating agency Standard & Poor's has rated NOVOMATIC AG's creditworthiness as BB+ with a stable outlook.

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

Consolidated Financial Statement for NOVOMATIC

Earnings positions

EUR m	01 - 06/2019	01 - 06/2018	Difference absolute	Difference in %
Revenues	1,264.7	1,287.3	-22.6	-1.8 %
Gaming taxes and betting fees	-148.7	-146.3	-2.4	1.7 %
Revenues after deduction of gaming taxes and betting fees	1,116.0	1,141.0	-25.0	-2.2 %
Changes in inventories of finished goods and work in progress	12.5	19.8	-7.3	-37.0 %
Own work capitalized	40.8	75.2	-34.4	-45.7 %
Other operating income	40.7	33.9	6.7	19.9 %
Cost of material	-172.8	-173.9	1.1	-0.6 %
Personnel costs	-390.4	-384.9	-5.5	1.4 %
Other operating expenses	-349.7	-398.1	48.4	-12.2 %
EBITDA	297.1	313.0	-15.9	-5.1 %
EBITDA margin	23.5 %	24.3 %	-	-
Depreciation and amortization, impairment and reversal of impairment	-249.6	-154.8	-94.8	61.2 %
Operating profit (EBIT)	47.5	158.2	-110.7	-70.0 %
EBIT margin	3.8 %	12.3 %	-	-
Financial result	-17.6	-3.0	-14.6	495.9 %
Earnings before taxes	29.9	155.3	-125.3	-80.7 %
Income tax	-15.2	-36.1	20.9	-57.8 %
Net result for the period from continued operations	14.7	119.2	-104.5	-87.7 %
Result from discontinued operations	19.5	-9.2	28.8	-
Result for the period	34.3	109.9	-75.7	-68.8 %

Key figures from earnings position	01 – 06/2019	01 – 06/2018
Earnings before interest and tax (in EUR m)	54.8	173.6
Profit margin	4.3 %	13.5 %
Return on equity	2.2 %	11.4 %
Return on total capital	1.1 %	4.2 %
Interest coverage ratio	1.9	8.6
Effective tax rate	-50.9 %	-23.3 %

EBITDA and EBIT are operating figures that are not defined in the International Financial Reporting Standards (IFRS). They serve the NOVOMATIC management as measurement and control parameters for the business success and profitability of the Group. EBIT at NOVOMATIC corresponds to the operating result as presented in the consolidated income statement. EBITDA is calculated from the operating result (EBIT), adjusted for depreciation, impairments and reversal of impairments on intangible assets, property, plant and equipment as well as right-of-use assets.

EBITDA margin is calculated based on EBITDA in relation to revenues. EBIT margin is derived from EBIT in relation to revenues. Earnings before interest and tax are the result of an adjustment of interest expenses on earnings before taxes.

Profit margin corresponds to a proportion of earnings before interest and tax in relation to revenues. Return on equity is the proportion of earnings before tax in relation to equity. Return on total capital is derived from earnings before interest and tax in relation to total capital.

Interest coverage is the ratio between EBIT and interest expenses. Effective tax rate is the proportion of tax expenses related to earnings before taxes.

In the first half of 2019, the NOVOMATIC Group generated EUR 1,264.7 million in revenues, compared to EUR 1,287.3 million in the same period of 2018. The largest decrease in revenues in absolute figures was recorded in the area of revenues from the operation of gaming machines, which declined by EUR 25.8 million (-4.1 percent). The expected weaker performance of the TR 5.0 devices in Germany and the increase of the stake-dependent gaming fees in Italy contributed significantly to this development. Conversely, the core markets of the United Kingdom, Spain, Austria and the Netherlands reported rising slot machine revenues due to site roll-outs and performance improvements at existing locations, which partially offset the declines in Germany and Italy.

In addition to gaming machine revenues, sales revenues also declined by EUR 9.9 million (-4.8 percent) to EUR 197.7 million. The Other Markets (EUR -11.1 million) and Austrian (EUR -9.9 million) regions, in particular, recorded a decline in revenues in this area against the same period of the previous year. Spain (EUR +12.3 million) and Italy (EUR +7.7 million) were able to limit the decline in sales revenues as a result of an increased demand for NOVOMATIC equipment.

The decline in gaming machine and sales revenues was contrasted by a significant increase in the income from rent and management services. Compared to the previous year, the income from rent and management services increased by EUR 17.0 million (+6.9 percent) to EUR 265.9 million. Due to an increase in equipment rental fees, the German core market (+ EUR 16.2 million) made a major contribution to this development.

Significant revenue increases were also achieved by an increase in betting revenues of 15.4 percent over the previous year.

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

Gaming taxes and betting fees, which depend largely on gaming machine and betting revenues, increased in the first half of 2019 to EUR 148.7 million compared to EUR 146.3 million in the previous year. The increase of EUR 2.4 million is primarily attributable to the core market of the United Kingdom as well as the online business.

The decline in own work capitalized by EUR 34.4 million to EUR 40.8 million stems largely from the core market of Germany. The position reflected the preproduction of self-produced gaming devices, which was necessary as a result of the amendment to the German Gaming Ordinance. As a result, from November 11, 2018, only devices corresponding to the new technical directive 5.0 may be operated.

The cost of materials declined by EUR 1.1 million to EUR 172.8 million in the reporting period. In the previous year, increased material expenses were incurred due to the conversion of gaming devices in Germany. Accordingly, the cost of materials in Austria and Germany decreased by EUR 12.0 million. By contrast, the core markets of the United Kingdom, Eastern Europe and Spain recorded higher material expenses due to the increased sales volume.

Personnel costs in the NOVOMATIC Group came in at EUR 390.4 million in the first half of the year, compared to EUR 384.9 million in the previous year. The increase of EUR 5.5 million is mainly attributable to the concessions business in Italy and Germany.

Other operating expenses decreased to EUR 349.7 million, compared to EUR 398.1 million in the previous year. This decline is mainly attributable to the IFRS 16 adjustments to rental expenses. Due to the first-time application of the IFRS standard, rental expenses declined by EUR 67.3 million. All other cost categories in other operating expenses increased by a total of EUR 15.3 million. In addition to higher advertising expenses, the release of provisions for impending losses related to lottery contracts, which has a reducing effect on expenses, came in EUR 8.3 million lower in the 2019 reporting period than the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 297.1 million in the first half of the year, which is EUR 15.9 million below the result achieved in the first half of 2018. The EBITDA margin in the first half of 2019 was 23.5 percent, which is 0.8 percentage points below the previous year's level. The operating result (EBIT) declined by EUR 110.7 million to EUR 47.5 million, as depreciation, amortization, and impairments increased by EUR 94.8 million. The increase in depreciation and amortization is mainly attributable to the first-time recognition of the depreciation on right-of-use assets as per IFRS 16 (EUR 63.3 million) as well as increased scheduled depreciation and impairment losses on gaming devices in Germany.

The financial result decreased from EUR -3.0 million in the previous year to EUR -17.6 million in the first half of 2019. In the previous year, positive currency effects from intragroup financing amounting to EUR 6.0 million had contributed to the improved result. In addition, interest expenses of EUR 9.8 million were reported in accordance with the IFRS 16 Standard for the first time in the 2019 reporting period.

The earnings before taxes decreased to EUR 29.9 million during the reporting period. This corresponds to a decrease of EUR 125.3 million. After taking income tax amounting to EUR 15.2 million as well as the result from discontinued operations into consideration, the Group was able to record a result of EUR 34.3 million for the first half of 2019, compared to EUR 109.9 million for the previous year.

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

Important Key Figures

Self-operated gaming devices⁴

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets
01-06/2019	63,020	2,244	12,908	7,603	16,970	4,011	4,498	14,407	379
01-06/2018	62,116	2,234	13,268	7,491	16,201	3,520	4,325	14,717	360
Change	904	10	-360	112	769	491	173	-310	19

Leased gaming devices⁵

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets
01-06/2019	154,109	1,489	80,605	40,916	0	6,588	67	14,465	9,979
01-06/2018	165,590	1,489	94,499	42,482	0	4,846	0	12,684	9,590
Change	-11,481	0	-13,894	-1,556	0	1,742	67	1,781	389

Gaming devices sold⁶

	Group	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets
01-06/2019	17,566	2,001	0	185	535	5,989	481	1,445	6,930
01-06/2018	18,007	2,721	0	149	139	4,823	630	1,948	7,597
Change	-441	-720	0	36	396	1,166	-149	-503	-667

⁴ Number at the end of the period

⁵ Number to third parties at the end of the period

⁶ Number to third parties during the period

Segment Analysis

EUR m	01 – 06/2019	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online
Revenues	1,264.7	177.4	338.1	181.8	98.3	85.9	47.5	173.1	100.9	61.7
Gaming Technology	469.4	36.2	138.0	90.2	13.2	41.6	5.4	40.2	100.0	4.6
Gaming Operations	794.3	141.2	200.1	91.6	85.1	44.2	42.1	132.9	0.0	57.1
Other	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0

EUR m	01 – 06/2018	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online
Revenues	1,287.3	185.8	360.4	196.7	79.9	67.7	46.5	178.1	119.0	53.2
Gaming Technology	479.8	52.4	128.3	95.3	5.7	28.1	7.0	40.6	118.2	4.3
Gaming Operations	806.6	133.4	232.0	101.4	74.2	39.6	39.6	137.5	0.0	49.0
Other	0.9	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.8	0.0

EUR m	Change	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online
Revenues	-22.6	-8.4	-22.3	-14.9	18.3	18.2	1.0	-4.9	-18.1	8.5
Gaming Technology	-10.4	-16.2	9.7	-5.0	7.5	13.5	-1.6	-0.4	-18.2	0.4
Gaming Operations	-12.3	7.8	-31.9	-9.8	10.9	4.7	2.5	-4.6	0.0	8.1
Other	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.2	0.0

Segment Reporting Contents

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

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

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

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

Gaming Technology

External revenues in the Gaming Technology segment amounted to EUR 469.4 million in the reporting period. This represents a decrease of EUR 10.4 million against the previous year.

The segment result (operating result) of Gaming Technology declined from EUR 106.2 million to EUR 17.3 million. This drop was mainly attributable to the core markets of Austria and Germany.

Austria

The companies in Austria included in the Gaming Technology segment generated revenues of EUR 36.2 million in the first half of 2019. This corresponds to a decline of EUR 16.2 million or 31.0 percent compared to the previous year. NOVOMATIC AG's sales revenues were down EUR 10.0 million in the first half of 2019, which was due to lower demand compared with the previous year. In addition, revenues of the NOVOMATIC lottery group declined by EUR 7.9 million against the previous year. In 2018, the lottery group had generated extraordinary revenues through license agreements.

Germany

The focus of the German Group companies in the Gaming Technology segment is on the area of gaming machine rental. The provisions and new regulations of the State Treaty Amending the Gaming Act, which came into force on July 1, 2012, had to be applied from July 1, 2017. Since November 11, 2018, only devices corresponding to the new technical directive 5.0 are allowed to be operated.

In addition to the costs resulting from the gaming devices conversion, this regulatory change also resulted in a reduction in the number of gaming machines rented in Germany by around 13,900 units compared to the same period of the previous year.

In the course of the conversion of gaming devices to TR 5.0, the rental rate was raised to the current market level for the first time in more than 10 years. As a result, revenues increased by EUR 9.7 million (+7.6 percent) to EUR 138.0 million.

Italy

Revenues of the Italian companies falling into the Gaming Technology segment reached a level of EUR 90.2 million in the first half of 2019, compared to EUR 95.3 million in the previous year.

The decline in the AWP market during the 2018 fiscal year and the continuous increase in the stake-dependent gaming fees had a negative impact on revenues. For the reasons outlined above, rental revenues in particular declined by EUR 12.3 million year-on-year. While around 42,500 units were leased to third parties in the first half of the previous year, this number had fallen to around 40,900 units in the first half of 2019. Sales revenues, on the other hand, increased by approximately EUR 7.6 million year-on-year to EUR 10.2 million. This increase results from the higher demand for CPU units with an adjusted payout ratio in line with the stake-dependent gaming fee increase. The current tax rate is 7.9 percent for VLT devices and 21.6 percent for AWP devices.

United Kingdom

Revenues of the companies in the United Kingdom falling into the Gaming Technology segment which are to remain a part of the Group amounted to EUR 13.2 million. This corresponds to an increase in revenues by EUR 7.5 million (+132.6 percent) compared to the previous year and is attributable to the increased demand for NOVOMATIC products in the casino segment as a result of more attractive contract terms for customers.

The remaining business activities consist of the sale of casino equipment as well as the sale of Ainsworth equipment in the European market.

Information on those companies that are to be sold in 2019 is provided in the notes.

Spain

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

Revenues of the Spanish companies falling into the Gaming Technology segment reached a level of EUR 41.6 million in the first half of 2019, compared to EUR 28.1 million in 2018. The increase by 48.2 percent is attributable to the higher demand for NOVOMATIC devices in the growing slot arcade sector as well as in the pub sector.

The Netherlands

The revenues of those companies in the Netherlands falling into the Gaming Technology segment amounted to EUR 5.4 million during the reporting period, which represents a decline of EUR 1.6 million (-22.3 percent) against the previous year. The decline is due to the delayed market launch of new devices.

Eastern Europe

This region includes Eastern and South-Eastern Europe. In total, the companies falling into the Gaming Technology segment generated revenues of EUR 40.2 million, which was the same as the previous year.

Other markets

The Gaming Technology revenues of the companies included in the Other Markets region amounted to EUR 100.0 million in the first half of the 2019 fiscal year, compared with EUR 118.2 million in the previous year. The decline is mainly attributable to Ainsworth Game Technology Ltd. The Australian producer recorded a decline in revenues by EUR 20.1 million (-21.8 percent), in particular due to falling revenues in its home market of Australia.

Online (B2B)

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

In the first half of 2019, revenues of the NOVOMATIC Group contributed by the online B2B area increased by EUR 0.4 million to EUR 4.6 million.

Gaming Operations

The external revenues in the Gaming Operations segment amounted to EUR 794.3 million in the reporting period, representing a decline of EUR 12.3 million against the previous year (EUR 806.6 million). This decline is mainly attributable to the modified legal framework conditions due to TR 5.0 in Germany (EUR -31.9 million) and the tax increase in Italy (EUR -9.8 million). A significant decline was prevented by the good performance of gaming machines in other core markets.

The segment result (operating result) of Gaming Operations declined from EUR 55.2 million to EUR 36.6 million. This development is attributable in particular to the weak equipment performance in Germany and the tax increases in Italy.

Austria

Revenues of all Austrian gaming and betting companies of the NOVOMATIC Group reached a level of EUR 141.2 million in the first half of 2019, compared to EUR 133.4 million in the previous year. The increase is primarily attributable to higher gaming machine revenues (EUR 4.0 million higher than in the previous year) as well as higher betting revenues (EUR 7.4 million higher than in the previous year). The online betting business, in particular, made a strong contribution (EUR 16.8 million higher than in the previous year). It should be noted that sales reductions increased by EUR 3.8 million due to various advertising campaigns.

Germany

The major part of the revenues in the German market is generated by the Group companies in the area of commercial electronic gaming. Through the slot arcade operators ADMIRAL ENTERTAINMENT GmbH, BPA Freizeit und Unterhaltungsbetriebe GmbH, Admiral Play GmbH and the Casino Royal Group, NOVOMATIC enjoys a strong presence in this market.

After the implementation of the State Treaty Amending the Gaming Act began in 2017, the market for commercial electronic gaming was expected to decline, but at a slower pace than the legislature had anticipated due to strong legal resistance to the closure of slot arcades and concession reductions. In addition, since November 11, 2018, only devices corresponding to the new technical directive 5.0 are allowed to be operated. The necessary conversion in the slot arcades of the German operating companies began in May 2018 and was completed by November 11, 2018, as required by law. As expected, during the first months since the installation of the TR 5.0 devices, guests were reluctant with the new gaming machines. After a phase of acclimatization, however, the now-rising average checkouts per gaming machine show that the gaming guests are gradually getting used to the changes and positively accept the ongoing optimization of the gaming operations.

The NOVOMATIC Group also has nine casinos in Germany. With the venerable Spielbank Berlin, NOVOMATIC operates one of the highest revenue-generating live casinos in Germany. In the first half of 2019, NOVOMATIC's German casinos were able to increase revenues by a total of around EUR 9.7 million to EUR 48.8 million.

In total, the companies in the operating segment generated revenues of EUR 200.1 million. This corresponds to a decrease of 13.8 percent against the previous year.

Italy

In the first six months of the current fiscal year, the NOVOMATIC Group's Italian gaming operations were able to increase the number of own locations compared to the previous year. While the number of AWP machines operated has declined marginally due to legal changes, the number of VLT machines operated has increased slightly.

Revenues of the Italian companies falling into the Gaming Operations segment amounted to EUR 91.6 million in the first half of 2019, compared to EUR 101.4 million in the previous year. Despite the increasing number of operated locations and devices, the increases in the stake-dependent gaming fees, in particular, had a negative impact on sales development compared to the previous year.

United Kingdom

The revenues of the companies included in the Gaming Operations segment amounted to EUR 85.1 million in the reporting period, representing an increase of EUR 10.9 million (14.7 percent). In addition to the improvement in the mix of gaming devices, regulatory developments in the UK market also had a significant impact on this increase. These include, in particular, the extended night opening hours and the closure of a large number of LBOs due to the reduction of the maximum stakes for FOBTs from GBP 100 to GBP 2.

Spain

As a result of the opening of a total of 31 new locations since June 2018 and the continuous improvement in the performance of existing facilities, revenues in the Spanish Gaming Operations segment rose from EUR 39.6 million in the first half of 2018 to EUR 44.2 million in the year under review. The Spanish casinos, which were sold at the end of June, generated revenues of EUR 5.0 million in the reporting period (previous year: EUR 5.1 million).

The Netherlands

Revenues of the Dutch companies falling into the Gaming Operations segment increased by EUR 2.5 million (+6.4 percent) year-on-year to EUR 42.1 million. This growth was mainly attributable to an increase in the performance of existing devices and the roll-out of additional gaming machines.

Eastern Europe

In aggregate, the companies in the Eastern Europe included in the Gaming Operations segment generated revenues of EUR 132.9 million in the first half of 2019, compared with EUR 137.5 million in the first half year of 2018. This decline of EUR 4.6 million is mainly due to the ban on electronic casinos in Albania as of January 1, 2019. In the reporting period of the previous year, electronic casinos in Albania had generated revenues of EUR 15.1 million. The decline in revenues was mitigated by the improving performance of various other markets in this region.

Online (B2C)

The online/mobile B2C market is divided into the segments Operation of Social Casinos (no payout of winnings) and Cash Casinos (regular gaming with payout of winnings). While a phase of consolidation is under way in the Social Casinos market and revenues are stagnating, the area of Cash Casinos continues to display a positive development. The main reason for this lies 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 desktops to mobile devices (smartphones, tablets, etc.) and playing games there.

In the first half of 2019, the Greentube Group, which is part of the NOVOMATIC Group, was able to increase its revenues to EUR 57.1 million, compared to EUR 49.0 million in the previous year. This increase in revenue of EUR 8.1 million (16.6 percent) was attributable to the improved performance of various platforms.

Other

The Other segment mainly comprises of smaller holding companies.

Net Assets

EUR m	6/30/2019	12/31/2018	Difference absolute	Difference in %
Non-current assets	3,183.6	2,576.3	607.3	23.6 %
thereof intangible assets	834.3	854.5	-20.3	-2.4 %
thereof right-of-use assets	699.7	0	699.7	-
thereof property, plant and equipment	1,097.0	1,148.8	-51.8	-4.5 %
thereof financial assets	321.8	326.0	-4.2	-1.3 %
Current assets	1,582.6	1,522.7	59.9	3.9 %
thereof inventories	305.2	294.5	10.7	3.6 %
thereof accounts receivable, other receivables and assets	470.8	437.7	33.1	7.6 %
thereof cash and cash equivalents	571.7	538.5	33.3	6.2 %
thereof non-current assets and disposal groups held for sale	154.2	166.0	-11.8	-7.1 %
ASSETS	4,766.2	4,099.1	667.1	16.3 %
Shareholders' equity	1,367.9	1,358.6	9.3	0.7 %
thereof stake of the shareholders of the parent (group share)	1,154.6	1,146.4	8.2	0.7 %
thereof non-controlling interests	213.3	212.2	1.1	0.5 %
Non-current liabilities	2,615.9	1,829.5	786.4	43.0 %
thereof non-current financial liabilities	1,782.0	1,574.0	208.0	13.2 %
thereof non-current lease liabilities	605.7	1.5	604.2	>100 %
thereof non-current provisions	84.2	95.7	-11.5	-12.0 %
Current liabilities	782.3	910.9	-128.6	-14.1 %
thereof current financial liabilities	39.4	287.4	-248.0	-86.3 %
thereof current lease liabilities	118.0	0.9	117.1	>100 %
thereof trade payables and other liabilities	452.3	461.1	-8.8	-1.9 %
thereof liabilities directly related to non-current assets and disposal groups held for sale	63.3	52.4	10.8	20.7 %
EQUITY AND LIABILITIES	4,766.2	4,099.1	667.1	16.3 %

Key figures on net worth and financial position	6/30/2019	12/31/2018
Net debt (in EUR m)	1,973.4	1,325.3
Working capital (in EUR m)	800.3	611.8
Gross debt (in EUR m)	2,545.1	1,863.8
Equity ratio	28.7 %	33.1 %

Net debt corresponds to the sum of long-term and short-term financial liabilities including lease liabilities subtracted by cash and cash equivalent. Working capital is the difference between current assets and current liabilities. Equity ratio exhibits the portion of equity in relation to total capital. Gross debt is the sum of long-term and short-term financial liabilities including lease liabilities.

The balance sheet total increased against December 31, 2018, by EUR 667.1 million to EUR 4,766.2 million. In the area of non-current assets, the first-time application of IFRS 16 resulted in the recognition of right-of-use assets in the amount of EUR 699.7 million.

Property, plant and equipment decreased compared with December 31, 2018, from EUR 1,148.8 million to EUR 1,097.0 million. The decline in property, plant and equipment is attributable in particular to the depreciation of gaming devices in Germany.

Financial assets, which mainly comprise financial investments in the Austrian gaming companies Casinos Austria AG and Österreichische Lotterien Gesellschaft mbH, decreased from EUR 326.0 million as of December 31, 2018, to EUR 321.8 million.

Regarding current assets, trade and other receivables as well as other current assets increased by EUR 33.1 million to EUR 470.8 million, with the increase resulting mainly from the core markets of Spain, Italy and Eastern Europe. Cash and cash equivalents also increased by EUR 33.3 million to EUR 571.7 million. The cash outflow of EUR 246.0 million due to the redemption of the bond was offset by the utilization of the credit line in the amount of EUR 230 million. The additional increase in cash and cash equivalents was therefore generated by the operating business.

Equity increased by EUR 9.3 million to EUR 1,367.9 million. The increase resulted primarily from the positive net income in the first half of the financial year less dividend distributions. Non-current liabilities rose by EUR 786.4 million to EUR 2,615.9 million. The increase resulted mainly from the higher utilization of the credit line to an amount of EUR 430 million as of June 30, 2019 as well as the first-time recognition of lease liabilities in accordance with IFRS 16 in the amount of EUR 605.7 million. Current liabilities reduced by EUR 128.6 million in the first half of 2019. This decline was due in particular to the bond redemption in the amount of EUR 246.0 million in the first half of 2019. In contrast, current liabilities from finance leases increased by EUR 118.0 million due to the application of IFRS 16.

Non-Current Assets and Disposal Groups Held for Sale

At the end of the first half of 2019, the Group companies in the Gaming Technology UK segment reported “non-current assets and disposal groups held for sale” of EUR 150.6 million and “liabilities directly related to non-current assets and disposal groups held for sale” of EUR 63.3 million.

Furthermore, an Austrian property not required for operations is recognized as “non-current assets and disposal groups held for sale” in the amount of EUR 3.6 million.

Financial Position

EUR m	01 – 06/2019	01 – 06/2018	Difference absolute	Difference in %
EBIT	47.5	158.2	-110.7	-70.0 %
Cash flow from operating activities	242.6	167.7	74.8	44.6 %
Cash flow from investing activities	-56.3	-464.8	408.5	87.9 %
Free cash flow	186.2	-297.0	483.2	-162.7 %
Cash flow from financing activities	-158.6	-144.0	-14.6	-10.1 %
Changes to cash and cash equivalents	33.3	-437.2	471.1	107.8 %

Cash flow from operating activities in the first half of 2019 of EUR 242.6 million was higher than in the same period of the previous year by EUR 74.8 million. In particular, this was due to changes in the presentation from the first-time application of IFRS 16 and a decrease in the cash outflow for corporate tax payments of EUR 60.7 million.

The cash flow from investment activities changed from EUR -464.8 million in 2018 to EUR -56.3 million during the reporting period. In particular, the item “Acquisition of consolidated companies, net of cash” should be noted. Cash outflows, which in the previous year had been caused in particular by the acquisition of Ainsworth Game Technology Ltd., declined by EUR 310.8 million. In addition, investments in intangible assets and property, plant and equipment decreased by EUR 58.1 million in the reporting period. The lower cash outflow is attributable to the current consolidation efforts.

A further positive effect is attributable to the sale of the subsidiaries in Croatia. In total, disposals resulted in cash inflows of EUR 40.4 million, compared with EUR 15.1 million in the same period of the previous year.

Cash flow from financing activities changed from EUR -144.0 million in the prior year period to EUR -158.6 million in the first half of 2019. The difference results mainly from two opposing effects. On the one hand, the negative deviation against the previous year is due to the redemption of a bond in the amount of EUR 246.0 million. On the other hand, a cash inflow from net increase in bank loans of EUR 210.2 million was generated in the first half of 2019, mainly through the utilization of the revolving credit line in the amount of EUR 230 million. In the previous year, loan repayments had resulted in a cash outflow of EUR 88.5 million. In addition, the first-time application of IFRS 16 resulted in the disclosure of payments under finance leases, which increased the cash outflow from financing activities by a further EUR 69.2 million.

4. Prospective Development of the Group

NOVOMATIC’s annual financial report for the 2018 fiscal year details the most important developments that could have a significant impact on the NOVOMATIC Group’s asset, financial and earnings position.

During the first six months of the 2019 financial year, no further significant developments were identified beyond those presented in the annual report for the 2018 fiscal year.

5. Non-Financial Performance Indicators

Regarding the reporting of the consolidated non-financial statement, reference is made to the 2018 separate, consolidated non-financial report of NOVOMATIC AG according to the Sustainability and Diversity Improvement Act (NaDiVeG).

6. Significant Risks and Uncertainties

NOVOMATIC's annual financial report for the 2018 fiscal year details the most important risks and uncertainties that could have a significant negative impact on the NOVOMATIC Group's asset, financial and earnings position.

During the first six months of the 2019 financial year, no further significant risks and uncertainties were identified beyond those presented in the annual report for the 2018 fiscal year. For material events after the balance sheet date, please refer to the information in the notes.

The annual report for the 2018 fiscal year, furthermore, includes a detailed description of the structure of the risk management system, as well as the main characteristics of the internal controlling system regarding the accounting process.

Consolidated Interim Financial Statements

Consolidated Balance Sheet

EUR m	6/30/2019	12/31/2018
ASSETS		
Non-current assets		
Intangible Assets	834.3	854.5
Right-of-use assets	699.7	0.0
Property, plant and equipment	1,097.0	1,148.8
Investment property	14.5	14.7
Investments in associated companies	1.4	2.9
Financial assets	321.8	326.0
Deferred tax assets	114.0	121.2
Other non-current assets	101.0	108.1
	3,183.6	2,576.3
Current assets		
Inventories	305.2	294.5
Trade receivables, other receivables and assets	470.8	437.7
Current tax receivables	48.0	52.5
Current financial assets	32.7	33.5
Cash and cash equivalents	571.7	538.5
Non-current assets and disposal groups held for sale	154.2	166.0
	1,582.6	1,522.7
Total ASSETS	4,766.2	4,099.1
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	26.6	26.6
Capital reserves	85.4	85.4
Retained earnings	1,051.0	1,042.2
Revaluation reserve	82.4	82.2
Currency translation adjustment	-90.8	-89.9
	1,154.6	1,146.4
Non-controlling interests	213.3	212.2
	1,367.9	1,358.6
Non-current liabilities		
Non-current financial liabilities	1,782.0	1,574.0
Non-current lease liabilities	605.7	1.5
Non-current provisions	84.2	95.7
Deferred tax liabilities	133.3	140.6
Other non-current liabilities	10.8	17.6
	2,615.9	1,829.5
Current liabilities		
Current financial liabilities	39.4	287.4
Current lease liabilities	118.0	0.9
Current provisions	61.9	65.9
Current tax liabilities	47.4	43.2
Trade payables and other liabilities	452.3	461.1
Liabilities directly related to non-current assets and disposal groups held for sale	63.3	52.4
	782.3	910.9
Total EQUITY AND LIABILITIES	4,766.2	4,099.1

Consolidated Income Statement

EUR m	01 - 06/2019	01 - 06/2018
Revenues	1,264.7	1,287.3 ¹
Gaming taxes and betting fees	-148.7	-146.3 ¹
Revenues after deduction of gaming taxes and betting fees	1,116.0	1,141.0
Changes in inventories of finished goods and work in progress	12.5	19.8 ¹
Own work capitalized	40.8	75.2 ¹
Other operating income	40.7	33.9 ¹
Cost of material and other purchased services	-172.8	-173.9 ¹
Personnel costs	-390.4	-384.9 ¹
Amortization, depreciation, impairment and reversal of impairment for intangible assets, property, plant and equipment, and investment property	-186.3	-154.8 ¹
Amortization, depreciation, impairment and reversal of impairment for right-of-use assets	-63.3	0.0
Other operating expenses	-349.7	-398.1 ¹
Operating profit	47.5	158.2
Share in the result of associated companies	-1.2	-1.6
Interest income	4.4	5.3 ¹
Other financial income	8.2	9.9
Interest expenses	-15.0	-18.3 ¹
Interest expenses for leases	-9.8	0.0
Other financial expenses	-4.9	-4.2 ¹
Currency exchange gains/losses from intra-group financing	0.7	6.0
Financial result	-17.6	-3.0
Earnings before taxes	29.9	155.3
Tax expenses	-15.2	-36.1 ¹
Net result for the period from continued operations	14.7	119.2
Result from discontinued operations	19.5	-9.2 ¹
Result for the period	34.3	109.9
thereof attributable to non-controlling interests	6.7	9.4
thereof attributable to shareholders of the parent (net profit)	27.5	100.5

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

Consolidated Statement of Comprehensive Income

EUR m	01 - 06/2019	01 - 06/2018
Result for the period	34.3	109.9
Amounts that will be reclassified to profit and loss account in subsequent periods		
Currency translation	4.2	-14.5
Currency translation for discontinued operations	0.6	0.0
Amounts that will not be reclassified to profit and loss account in subsequent periods		
Financial assets measured at fair value through other comprehensive income (equity instruments)	0.2	-8.4
Attributable income tax	0.0	2.2
Other comprehensive income after taxes	5.0	-20.7
Total comprehensive income	39.3	89.2
thereof attributable to non-controlling interests	7.3	5.3
thereof attributable to shareholders of the parent (net profit)	32.0	83.9

Consolidated Cash Flow Statement

EUR m	01 - 06/2019	01 - 06/2018
Operating profit	47.5	158.2¹
Result from discontinued operations	19.5	-9.2¹
	67.1	149.0
Losses (+) / gains (-) from the disposal of fixed assets	-5.9	-5.8
Depreciation (+) / Appreciation (-) of fixed assets	249.5	169.6 ²
Other non-cash income and expenses	4.6	-0.4
Interest received and interest-related income	4.9	5.8
Taxes paid	-7.2	-67.9 ¹
	313.0	250.3
Increase (-) / Decrease (+) in inventories	-10.0	-57.8
Increase (-) / Decrease (+) in receivables	-53.4	12.0
Increase (+) / Decrease (-) in provisions	-4.6	-20.4
Increase (+) / Decrease (-) in liabilities	-2.5	-16.4
Cash flow from operating activities	242.6	167.7
Proceeds from the disposal of fixed assets (excluding financial assets)	62.0	45.7
Proceeds from the disposal/repayment of financial assets	3.1	2.8
Proceeds from the sale of consolidated companies, net of cash	40.4	15.1
Acquisition of intangible assets, property, plant and equipment	-158.5	-216.6
Acquisition of financial assets and other financial investments	-0.6	-1.4
Acquisition of consolidated companies, net of cash	-8.4	-319.3
Results from associated companies and investments	5.9	8.9
Cash flow from investing activities	-56.3	-464.8
Dividend payments	-29.3	-29.9
Proceeds from shareholders	0.3	0.6
Expenditures from change in interests in subsidiaries (without change of control)	0.0	-2.4
Expenditures from the repayment of bonds	-246.0	0.0
Proceeds from bank loans and financial liabilities	228.3	15.7
Payouts from bank loans and financial liabilities	-18.1	-104.2
Payouts from leasing obligations	-59.3	0.0
Interest paid and interest-related expenses	-34.5	-23.6
Cash flow from financing activities	-158.6	-144.0
Net change in cash and cash equivalents	27.7	-441.0
Currency translation adjustments	0.4	3.7
Changes in cash and cash equivalents due to changes in scope of consolidation	5.2	0.2
Net change in cash and cash equivalents	33.3	-437.2
Cash and cash equivalents at the beginning of the period	538.5	899.7
Cash and cash equivalents at the end of the period	571.7	462.5
Net change in cash and cash equivalents	33.3	-437.2

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

²⁾ Including depreciation in earnings from discontinued operations

Consolidated Statement of Changes in Equity

EUR m	Shares of shareholders of NOVOMATIC AG					Total	Non-controlling interests	Shareholders' equity
	Share capital	Capital reserve	Retained earnings	IFRS 9 reserve	Currency translation adjustment			
As of 1/1/2019	26.6	85.4	1,042.2	82.2	-89.9	1,146.4	212.2	1,358.6
1) Total comprehensive income								
Result for the period	0.0	0.0	27.5	0.0	0.0	27.5	6.7	34.3
Other comprehensive income	0.0	0.0	5.1	0.2	-0.8	4.4	0.6	5.0
2) Dividend payments	0.0	0.0	-22.0	0.0	0.0	-22.0	-7.3	-29.3
3) Change in non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3
4) Changes in the scope of consolidation	0.0	0.0	-1.8	0.0	0.0	-1.8	0.8	-1.1
As of 6/30/2019	26.6	85.4	1,051.0	82.4	-90.8	1,154.6	213.3	1,367.9

EUR m	Shares of shareholders of NOVOMATIC AG					Total	Non-controlling interests	Shareholders' equity
	Share capital	Capital reserve	Retained earnings	IFRS 9 reserve	Currency translation adjustment			
As of 12/31/2017	26.6	85.4	1,169.0	23.3	-66.8	1,237.5	91.4	1,328.9
First-time application of IFRS 9	0.0	0.0	0.0	12.0	0.0	12.0	0.0	12.0
As of 1/1/2018	26.6	85.4	1,169.0	35.2	-66.8	1,249.5	91.4	1,340.9
1) Total comprehensive income								
Result for the period	0.0	0.0	100.5	0.0	0.0	100.5	9.4	109.9
Other comprehensive income	0.0	0.0	4.9	-5.6	-15.9	-16.7	-4.1	-20.7
2) Dividend payments	0.0	0.0	-23.2	0.0	0.0	-23.2	-6.8	-29.9
3) Change in non-controlling interests	0.0	0.0	9.5	0.0	0.0	9.5	-11.5	-1.9
4) Changes in the scope of consolidation	0.0	0.0	-0.4	12.5	0.0	12.2	181.0	193.2
As of 6/30/2018	26.6	85.4	1,260.4	42.2	-82.7	1,331.9	259.5	1,591.4

Selected Explanatory Notes

1) Information about the Company

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

2) Accounting Principles

The present Consolidated Interim Financial Statements of NOVOMATIC AG as of June 30, 2019, 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, 2018, have been applied unchanged, with the exception of the newly applicable standards described below. For more information, please refer to the Consolidated Financial Statements of NOVOMATIC AG as of December 31, 2018.

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:

- Katharina Liebig und Horst Winkler Automatengesellschaft mbH, Germany
- Grand Prix Casino OÜ, Estonia
- Paan OÜ, Estonia
- Bingoland S.r.l., Italy
- Admiral Pay Istituto di Pagamento S.r.l., Italy
- Casino Admiral Staff B.V., the Netherlands
- Casino Admiral Noordwijk B.V., the Netherlands

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

Scope of consolidation	Fully consolidated	Valued at equity
As of 1/1/2019	226	4
First time inclusion in 2019	7	0
Disposed of in 2019	-11	0
Merged in 2019	-2	0
As of 6/30/2019	220	4
thereof non-Austrian companies	203	3

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

4) Accounting Policies

During the current reporting period, several new or amended standards and interpretations came into force for the first time. The impact of the first-time application of the new standard IFRS 16 Leasing is discussed below. The other amendments that took effect had no significant impact on the Consolidated Financial Statement.

IFRS 16 Leases

IFRS 16 "Leases" was mandatorily applied by NOVOMATIC for the first time as of January 1, 2019. IFRS 16 replaces the previous provisions of IAS 17 and the related interpretations; in particular, the accounting treatment of leases by the lessee has been newly regulated. The lessee now also recognizes a liability for future lease payments for each operating lease. At the same time, a right-of-use asset is capitalized at the present value of the future lease payments and subsequently depreciated on a straight-line basis.

The NOVOMATIC Group applies IFRS 16 retrospectively in a modified format (consequently without adjustment of prior-year figures) and is therefore required to record any cumulative adjustment effect in equity at the time of first-time application on January 1, 2019. In this context, the approach chosen is to recognize the right-of-use assets at the time of initial application in the amount of the respective lease liabilities. An adjustment was made by the amount of prepaid or deferred lease payments that were transferred to the right-of-use asset. Overall, there was therefore no effect on the Group's equity at the time of first-time application.

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

The following practical simplifications were made use of upon first-time application:

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

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

In the NOVOMATIC Group, the most significant impact of IFRS 16 resulted from the large number of gaming facilities operated (including slot arcades, casinos, sports betting outlets and bingo halls), most of which are rented from third parties. In addition, other properties, gaming devices, equipment and vehicles are also rented. Significant estimates of the lease term had to be made when accounting for leases under IFRS 16, as this standard also requires options to be considered within the term of a lease where it is assumed with reasonable certainty that an extension option will be exercised or a termination option not exercised. Given the legal requirements associated with the operation of gaming facilities, which regularly require a license, the license term is a key parameter when estimating the term.

The recognition of right-of-use assets and lease liabilities for the above-mentioned leases resulted in a significant increase in the balance sheet total. Due to this balance sheet extension, equity ratio as of January 1, 2019 decreased from 33.1 percent to 28.0 percent. The weighted average marginal borrowing rate was 2.86 percent. The effects of the first-time application of IFRS 16 on the consolidated balance sheet as of January 1, 2019, are as follows:

EUR m	12/31/2018	Adjustments for IFRS 16	1/1/2019
ASSETS			
Non-current assets			
Right-of-use assets	-	684.0	684.0
Other non-current assets	108.1	10.9	119.0
	2,576.3	694.9	3,271.2
Current assets			
Trade receivables, other receivables and assets	437.7	- 3.6	434.1
Non-current assets and disposal groups held for sale	166.0	54.5	220.5
	1,522.7	50.9	1,573.6
Total ASSETS	4,099.1	745.8	4,844.9
EQUITY AND LIABILITIES			
Non-current liabilities			
Non-current lease liabilities	1.5	583.0	584.5
Non-current provisions	95.7	- 10.4	85.3
	1,829.5	572.5	2,402.0
Current liabilities			
Current lease liabilities	0.9	118.7	119.6
Liabilities directly related to non-current assets and disposal groups held for sale	52.4	54.5	106.9
	910.9	173.2	1,084.1
Total EQUITY AND LIABILITIES	4,099.1	745.8	4,844.9

As part of the first-time application of IFRS 16, the balance sheet values of rental prepayment amounting to EUR 3.6 million as well as provisions from onerous rental agreements of EUR 10.4 million were reclassified to the balance sheet item of the right-of-use assets. In addition, subleases resulted in the recognition of lease receivables from finance lease in an amount of EUR 10.9 million, which are shown under other non-current assets. The right-of-use assets and lease liabilities of discontinued operations and disposal groups held for sales are shown under the corresponding balance sheet items.

The reconciliation of the minimum lease payments reported as of December 31, 2018, to the lease liabilities reported as of January 1, 2019, is as follows:

EUR m	
Obligations from non-terminable operating lease agreements in accordance with IAS 17 as of 12/31/2018	
within one year	72.6
within two to five years	164.8
over five years	55.9
	293.3
Obligations arising from time periods with reasonably certain extension and termination options	572.2
Lease liabilities before discounting	865.5
Effect of discounting using the marginal borrowing rate	109.3
Lease liabilities from the first-time application of IFRS 16	756.2
Liabilities from finance leases recognized in the balance sheet as of 12/31/2018	2.4
Liabilities from finance leases recognized in the balance sheet as of 1/1/2019	758.6
thereof current and non-current lease liabilities	704.1
thereof liabilities as per IFRS 5	54.5

Subsequently, there are also changes in the income statement, as IFRS 16 replaces the linear expenses for operating leases as per IAS 17 with a depreciation expense for right-of-use assets and interest expenses for lease liabilities, which are not part of EBITDA. In the current reporting period, scheduled depreciation of EUR 63.3 million and interest expenses of EUR 9.7 million were recorded.

Pursuant to IAS 17, all lease payments for operating leases were presented as part of the cash flow from operating activities. The application of IFRS 16 resulted in an increase in cash flow from operating activities as well as a reduction in cash flow from financing activities, as both the repayment component and the interest component of the lease payment with the total amount of EUR 69.2 million are now reported in cash flow from financing activities.

Segment assets and segment liabilities are also equally affected by the increase. Leasing liabilities are now reported under segment liabilities, while under IAS 17 leasing liabilities were not part of the segment liabilities.

5) Company Acquisitions

On April 10, 2019, 100 percent of the shares in Katharina Liebig und Horst Winkler Automatengesellschaft mbH in Germany were acquired. The acquired company operates a slot arcade in Lower Saxony.

On May 1, 2019, 100 percent of the shares in Grand Prix Casino OÜ and its subsidiary Paan OÜ in Estonia were acquired. The acquired companies are operators of a total of 11 slot arcades with catering facilities.

With the above acquisitions, the Group intends to further establish and expand the Group's market position in its European core markets.

These company acquisitions have been recognized pursuant to IFRS 3 partially using provisional values as of the reporting date. Accordingly, the values in the opening balances have not yet been finally determined, and the allocation of the total purchase price to the assets acquired and liabilities assumed has also not yet been completed. Changes are possible, in particular in the area of intangible assets. The inclusion of these acquired companies in the Consolidated Interim Financial Statements is therefore partially based on provisional fair values.

In the following overview, the preliminary fair values for these further business combinations are presented in summary:

EUR m	Preliminary fair values
Intangible Assets	0.1
Right-of-use assets	1.9
Property, plant and equipment	0.6
Other non-current assets	0.1
Inventories	0.1
Cash and cash equivalents	0.6
Other current assets	0.1
Non-current liabilities and provisions	-1.9
Current liabilities and provisions	-0.6
Net assets	0.6
Goodwill	4.8
Consideration	5.3

The consideration amounting to EUR 5.3 million has already been fully paid in cash. 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 probably tax-deductible.

Since the acquisition date, revenues amount to EUR 0.2 million, whereas the result for the period amounts to EUR 0.0 million.

Further Comments on the Acquisitions

The disclosures of revenues and results or losses of the acquired companies under the assumption that the acquisition date for all business combinations is at the beginning of the reporting period was omitted, since the significance for the Consolidated Interim Financial Statements is minor.

6) Company Sales

Croatia

The sale of Croatian businesses (Novo Gaming d.o.o. and its subsidiaries, Interigre d.o.o. and Mediteran Gaming d.o.o.), which were already classified as held for sale in 2018, was completed in March 2019. The business activities of the Croatian companies included in particular the operation of several gaming halls and betting outlets, four live-game casinos and one hotel. In recent years, business in this region has been burdened by high market entry costs in the local casino and sports betting segment, the implementation of innovations in operational gaming operations (e.g. biometric access systems) and rising administrative costs. The purchase price agreed with the acquirer was based on the result of an external valuation report and amounted to EUR 39.0 million, which has already been paid. The disposal resulted in a final consolidation loss of EUR 2.7 million for the Group, which is reported in the result from discontinued operations.

Spanish Casinos

The divestment process initiated due to a lack of growth prospects resulted in the sale of the two Spanish companies (Admiral Casino S.A. and its subsidiary, Grand Casino Aljarafe S.A.), which incorporated casinos, in June 2019. The purchase price agreed with the acquirer was based on the result of an external valuation report and amounted to EUR 2.2 million. The disposal resulted in a final consolidation loss of EUR 0.1 million for the Group, which is reported in other operating expenses.

Other Company Sales

Other company sales included the 60.0 percent stake in the Spanish company Otium GI S.L. and its wholly-owned Spanish subsidiary S4Gaming S.L. as well as its Mexican subsidiary Otium Mexico S.A.P.I. de C.V., in which it holds 99,98 percent of the shares. The company's business activities primarily comprised the development of video bingo games for the Mexican gaming market. The disposal resulted in a final consolidation loss of EUR 1.3 million for the Group, which is reported in other operating expenses.

7) Notes to the Consolidated Balance Sheet

(7.1) Intangible Assets

Goodwill is reported under intangible assets with a carrying amount of EUR 272.4 million (previous year: EUR 266.9 million). The change results from the preliminary accounting treatment 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	6/30/2019	1/1/2019
Real estate (primarily slot arcades)	652.2	644.3
Gaming devices	40.7	32.7
Office and business equipment, vehicle fleet	6.7	6.9
	699.7	684.0

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

(7.3) Cash and cash equivalents

Bank balances amounted to EUR 420.2 million (previous year: EUR 378.4 million). The stated cash in the amount of EUR 151.6 million (previous year: EUR 160.1 million) largely serves as cash reserves and base filling of the gaming machines at the various gaming establishments.

(7.4) Non-Current Assets Held for Sale and Liabilities Directly Related to Non-Current Assets and Disposal Groups Held for Sale

Due to the new strategic orientation in the United Kingdom, negotiations with a potential buyer were initiated at the end of 2018. A corresponding purchase agreement for the Gaming Technology segment has now been signed. Among other things, the sale is subject to the necessary legal approvals. The required approvals and, therefore, the completion of the transaction are expected in the second half of 2019.

Taking into account the above-mentioned completed company disposals in the current reporting period, the non-current assets and disposal groups held for sale developed as follows:

EUR m	6/30/2019	12/31/2018
Sub-Segment Gaming Technology UK	150.6	108.0
Croatia	0.0	52.6
Spanish Casinos	0.0	1.8
Other	3.6	3.6
	154.2	166.0

The related liabilities developed as follows:

EUR m	6/30/2019	12/31/2018
Sub-Segment Gaming Technology UK	63.3	43.8
Croatia	0.0	5.7
Spanish Casinos	0.0	2.9
	63.3	52.4

(7.5) Non-Current and Current Financial Liabilities

NOVOMATIC AG made further use of the long-term revolving credit lines.

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

(7.6) Non-Current and Current Lease Liabilities

EUR m	6/30/2019	1/1/2019
Non-current lease liabilities	605.7	584.5
Current lease liabilities	118.0	119.6
	723.7	704.1

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 Profit and Loss Account

(8.1) Revenues

Revenues by business unit developed as follows:

EUR m	01 - 06/2019	01 - 06/2018
Sales revenues	197.7	207.6 ¹
Income from slot machines	597.2	623.0 ¹
Live game	24.1	24.7
Income from rent and management services	265.9	248.8 ¹
Betting revenues	82.5	71.5 ¹
eBusiness income	77.0	71.8 ¹
Income from food and beverage	22.9	21.9 ¹
Other sales	33.4	43.4 ¹
Sales reductions	-36.0	-25.5 ¹
Total	1,264.7	1,287.3

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

(8.2) Taxes

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

(8.3) Result from discontinued operations

The development of the result from discontinued operations is related to the aforementioned company disposals or planned operations for which the provisions of IFRS 5 apply:

EUR m	01 - 06/2019	01 - 06/2018
Sub-Segment Gaming Technology UK	18.5	-11.3 ¹
Croatia (including final consolidation)	1.0	2.0 ¹
	19.5	-9.2

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

9) Disclosures on Financial Instruments

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

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

EUR m	6/30/2019	12/31/2018	Hierarchy
Financial assets			
Investments in affiliated, non-consolidated entities	3.5	5.8	Level 3
Investments - Other	29.0	31.6	Level 3
Investments - Financial investments	285.2	284.3	Level 3
Securities - Equity instruments	2.8	2.9	Level 1
Securities - Debt instruments	0.8	0.8	Level 1
Securities - Investment funds	0.1	0.1	Level 1
Derivatives (positive market values)	0.3	0.4	Level 2
Financial liabilities			
Derivatives (negative market values)	0.5	0.8	Level 2
Purchase price obligations - Contingent considerations	5.4	4.7	Level 3

Shares in non-consolidated companies are recognized at fair value through profit or loss and other investments at fair value through other comprehensive income. The valuation is based on recognized income approaches. The expected cash flows from the multi-year planning are discounted with a specific country discount rate.

The financial investments 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 applying recognized multiplier methods were used.

For the market value measurement of Österreichische Lotterien Gesellschaft mbH, 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 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 8.39 and an EV/EBIT multiplier of 10.71. 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 calculated entity value was increased by the net financial assets or reduced by the net financial liabilities, and adjusted for the pro rata equity of subordinated investments. This equity value for 100 percent shares was adjusted for the share acquisition taking into account an unchanged premium of 12.36 percent on the EBITDA basis or 13.17 percent on the EBIT basis and amounts to around EUR 1,105.9 million. This resulted in a current market value of EUR 127.8 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 -0.9 million which had no impact on income.

An increase in the multiplier by 0.5 would lead to an increase in the fair value of EUR 6.4 million, an increase in the underlying EBITDA/EBIT of the valuation item by 10 percent to an increase in the fair value of around EUR 12.3 million.

A two-step weighted industry multiplier was used to measure the market value of Casinos Austria AG. When measuring the CASAG shares, the contribution of ÖLG (majority stake of CASAG) and the contribution of the other CASAG companies were considered separately. A comparison group of nine international casino companies served to calculate the industry multiplier for the other CASAG companies. At the time of submitting the offer or acquiring the interest, the EV/EBITDA multiplier was 9.11 and the EV/EBIT multiplier 13.35. The updated determination of the stated multipliers led to an EV/EBITDA multiplier of 7.78 and an EV/EBIT multiplier of 11.48. The multipliers from the ÖLG valuations and the other CASAG companies were weighted in accordance with the EBITDA/EBIT contribution, which has resulted in an average EV/EBITDA multiplier of 8.24 and EV/EBIT multiplier of 10.88. Firstly, the EBITDA and EBIT were extrapolated from the most recent publicly available financial information of the CASAG Group using these two multipliers. The calculated entity value 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 914.9 million. This resulted in a current market value of EUR 157.4 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 1.8 million which had no impact on income.

An increase in the multiplier by 0.5 would lead to an increase in the fair value of EUR 12.1 million, an increase in the underlying EBITDA/EBIT of the valuation item by 10 percent to an increase in the fair value of EUR 22.3 million.

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

The Group has designated the aforementioned equity instruments - other investments, financial investments and securities (equity instruments) - at fair value through other comprehensive income. These equity instruments relate to financial investments that the Group intends to hold for long-term strategic purposes.

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 (June 30, 2019)). Market valuations of derivative financial instruments are carried out by the Group's own treasury management system, as well as by 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	6/30/2019		12/31/2018	
	Nominal amount	Market value	Nominal amount	Market value
USD forward contract - positive market value	15.5	0.3	10.2	0.4
USD forward contract - negative market value	0.0	0.0	10.3	-0.1
Interest rate swap	77.5	-0.5	77.5	-0.6
Total	93.0	-0.2	98.1	-0.4

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

The contingent considerations from business combinations result from the contractual obligations of the acquiring Group company to pay an additional purchase price to the seller if certain contractually agreed financial performance indicators (e.g. revenue or EBITDA goals) are reached within a certain period after closing. The valuation of the obligations from contingent purchase prices is based on updated revenue and/or EBITDA estimates. The contingent considerations are shown in the balance sheet with EUR 3.0 million (previous year: EUR 3.0 million) under the other non-current liabilities (purchase price obligations) and with EUR 2.4 million (previous year: EUR 1.7 million) under the other current liabilities (purchase price obligations). Purchase price obligations have a residual term of up to three years.

b) Fair Value of Financial Assets and Liabilities not Carried at Fair Value Regularly, Whereby the Fair Value Has to be Disclosed

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

EUR m	6/30/2019		12/31/2018		Hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
Financial liabilities					
Bonds	695.1	700.8	940.5	957.9	Level 1
Bank liabilities	1,114.7	1,120.8	905.8	908.9	Level 2

For the fair value of the bonds, the stock market price on the valuation date or the last valid market price before the balance sheet date (June 30, 2019) 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.

10) Segment Reporting

01 - 06/2019

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	469.4	794.3	1.0	0.0	1,264.7
Intra-segment revenues	76.5	0.9	3.0	-80.4	0.0
Total revenues	545.9	795.3	3.9	-80.4	1,264.7
Depreciation and amortization, impairment and reversal of impairment	-130.1	-118.1	-1.4	0.0	-249.6
Segment result (EBIT)	15.8	36.7	-2.3	-2.7	47.5
Financial result					-17.6
Earnings before taxes					29.9
Tax expenses					-15.2
Net result for the period from continued operations					14.7

01 - 06/2018

EUR m	Gaming Technology	Gaming Operations	Other	Reconciliation	Total
External revenues	479.8 ¹	806.6 ¹	0.9 ¹	0.0	1,287.3
Intra-segment revenues	77.6 ¹	0.8 ¹	2.7 ¹	-81.1 ¹	0.0
Total revenues	557.4	807.4	3.6	-81.1	1,287.3
Depreciation and amortization, impairment and reversal of impairment	-87.6 ¹	-65.7 ¹	-1.4 ¹	0.0	-154.8
Segment result (EBIT)	105.6¹	60.1¹	-1.8¹	-5.7	-158.2
Financial result					-3.0
Earnings before taxes					155.3
Tax expenses					-36.1
Net result for the period from continued operations					119.2

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

Revenues are distributed among the individual regions as follows:

01 - 06/2019

EUR m	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online	Total
Gaming Technology	36.2	138.0	90.2	13.2	41.6	5.4	40.2	100.0	4.6	469.4
Gaming Operations	141.2	200.1	91.6	85.1	44.2	42.1	132.9	0.0	57.1	794.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0
Revenues	177.4	338.1	181.8	98.3	85.8	47.5	173.1	101.0	61.7	1,264.7

01 - 06/2018

EUR m	Austria	Germany	Italy	United Kingdom	Spain	The Netherlands	Eastern Europe	Other markets	Online	Total
Gaming Technology	52.4	128.3	95.3	5.7 ¹	28.1 ¹	7.0	40.6	118.2 ¹	4.3 ¹	479.8
Gaming Operations	133.4	232.0	101.4	74.2	39.6 ¹	39.6	137.5 ¹	0.0	49.0 ¹	806.6
Other	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.8 ¹	0.0	0.9
Revenues	185.8	360.4	196.7	79.9	67.7	46.5	178.1	119.0	53.2	1,287.3

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

11) Other Disclosures

Related Party Transactions

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

The NOVOMATIC Group has sold its majority interests in the Croatian companies and the two Spanish companies, which incorporated casinos, to a related company. The purchase price agreed in each case was defined by external valuation reports.

Seasonality of the Business

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

Contingent Liabilities

Contingent liabilities have been explained in more detail in the Consolidated Financial Statement as of December 31, 2018. There were no other material changes to the listed contingent liabilities from 2018.

Dividends

The General Meeting on March 26, 2019, approved the payment of a dividend totaling EUR 22.0 million to the shareholders. The payment of the agreed dividends was made in April 2019.

Compulsory Statement on the Review by an Auditor

The interim financial report 2019 was subject to neither a complete audit nor a review by an auditor.

12) Subsequent Events after the Interim Reporting Period

In Australia, legal proceedings against the Group company Ainsworth Game Technology Limited (Ainsworth) were initiated by Aristocrat Leisure Limited (Aristocrat) on July 3, 2019. Ainsworth is accused of an alleged infringement of Aristocrat's intellectual property rights and the Australian Consumer Protection Act.

On July 11, 2019, the two companies SAZKA Group a.s. and CAME Holding GmbH filed an arbitration claim against NOVOMATIC AG. The arbitration proceedings initiated at the International Court of Arbitration are based on the agreement between the parties in connection with the participation in CASAG. A counterstatement will be filed by September 12, 2019.

Both legal issues are currently the subject of a detailed and complete legal review of the underlying facts and claims.

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, 2019, give a true and fair view of the net assets, financial position and results of operations of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and that the consolidated management report for the half-year 2019 gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Gumpoldskirchen, August 29, 2019

The Executive Board of NOVOMATIC AG

Mag. Harald Neumann
Chairman
Chief Executive Officer

Dr. Christian Widhalm
Deputy Chairman
Chief Investment Officer

Dipl.-Ing. Ryszard Presch
Chief Operating Officer

Mag. Thomas Graf
Chief Technology Officer

Mag. Peter Stein
Chief Financial Officer

Dipl.-Ing. Bartholomäus Czapkiewicz
Chief Systems Development Officer