

# Q2 2016 INTERIM REPORT



Gaming Innovation Group Inc.



17<sup>TH</sup> AUGUST 2016

# Q2 2016 INTERIM REPORT

## HIGHLIGHTS

- Continued strong growth in revenues to EUR 9.7 million in second quarter 2016, an increase of 23 per cent quarter over quarter, and 161 per cent over second quarter 2015
- Gross profit margin of 85 per cent in second quarter 2016, compared to 84 per cent in first quarter 2016, and 75 per cent in second quarter 2015
- EBITDA of EUR 0.96 million in second quarter 2016, an EUR 1.0 million improvement from negative EUR 0.07 million in first quarter 2016
- Two additional affiliate networks were acquired and integrated in Q2, increasing the referred FTDs from 4,700 in first quarter to 11,400 in second quarter
- Acquisition of Odds Technology company OddsModel enables GiG to create proprietary odds on sports markets. Positive contribution from the second quarter
- iGamingCloud signed three new clients in second quarter, and one more in August. As of today, 13 external clients are operational on the iGC platform with the remaining customers to go live before year end
- GIG has entered into a final Sales and Purchase agreement regarding the acquisition of Betit Group. The Betit Group will be consolidated into GIG as of September 1
- Full year revenues expected to increase more than 100 per cent. EBIT expected to exceed the EUR 5 million, before any contribution from the Betit Group

## KEY FIGURES

EUR 1000	Q2 2016	Q2 2015	6M 2016	6M 2015	2015
Revenue	9 691	3 711	17 577	6 523	17 749
EBITDA	958	72	886	19	-2 062
Pre tax profit (loss)	806	875	472	596	-2 058

## ABOUT GIG

*Gaming Innovation Group provide three bespoke revenue models within iGaming; cutting-edge cloud based services through iGamingCloud, business-to-business performance marketing in Innovation Labs, and end-user gambling operators offering games from the best-of-breed suppliers across the online sports betting and casino industry.*

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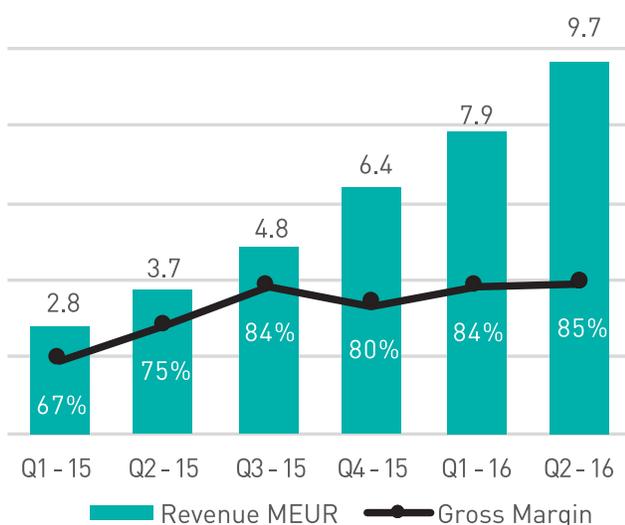
## OPERATIONAL UPDATE

During the first half of 2016, Gaming Innovation Group Inc. (GIG) has focused greatly on M&A activity, which has proven successful. The Company has continued its growth across all three-business areas in the second quarter 2016.

- iGaming Cloud (iGC) had 11 external operators live at the end of the quarter and three new agreements were entered into during the period
- Strong increase for the affiliate business in Innovation Labs through integration of the acquired Dutch and Swedish affiliate networks in second quarter
- Continued growth in deposits and GGR (gross gaming revenues) for the operators despite a decrease in active users from 92,937 in first quarter 2016 to 81,645 in the second quarter

Consolidated revenues for the second quarter were EUR 9.7 million, an increase of 23 per cent over first quarter 2016. Gross margin were 85 per cent in second quarter 2016, compared to 84 per cent in first quarter 2016. EBITDA was EUR 0.96 million in the second quarter, a EUR 1.0 million improvement from negative EUR 0.07 in first quarter 2016.

## REVENUES AND GROSS MARGIN



## iGAMING CLOUD

GIG's cloud based platform services, iGamingCloud (iGC), continued its growth in the second quarter. In addition to the Company's own brands, six external brands were operational at the beginning of the second quarter. During the quarter, another five external brands commenced operations, increasing the number of live external brands to 11 as of 30 June 2016. More clients have started their operations in Q3, and as of today 13 external brands are live, with three launching soon. Total database transactions increased 49% from 659 million to 983 million, reflecting rapidly increasing overall activity in the eco-system.

In the second quarter three new agreements were signed, adding to a total of 18 external agreements as of 30 June 2016. Some agreements includes more than one brand, and more than 20 brands or casinos will operate on the iGC platform by the end of 2016, including GIG's own brands. Total expected annual contributions from the signed iGC platform clients adds up to around EUR 8.3 million.

During the second quarter, the Company experienced some difficulties meeting demand and completing its technical roadmap, as access to qualified staff is limited. As a result, Integration of some new clients was slightly delayed, postponing some integrations from June to July and August. The company has addressed the hire of new qualified tech staff in order to rectify the situation going forward.

iGC has seen steady increase in activity in 2016, and with additional clients going live month by month, the contribution from this revenue source is expected to continue to increase during the remainder of 2016. Overall, operations has been in line with expectations, although there have been some variances on the performance of the external clients.

The Company continues to develop the iGC platform including hardware, features, functionality and third party services available through the platform. Such development broadens the potential client base and helps current and new clients to increase performance. The Company expects a positive contribution from iGC going forward.

## Performance Marketing

In March 2016, GIG's subsidiary Innovation Labs acquired two additional affiliate networks, Delta Markets in the Netherlands and Magenti Media in Sweden. The acquisitions include a four-figured number of referral sites, a highly experienced team of Search Engine Optimization (SEO) experts and recurring revenues from the existing portfolio of affiliate accounts with partnering operators.

Delta Markets was integrated with Innovation Labs' operations from the start of April, and Magenti Media was integrated from mid-May. Combined, these acquisitions performed above expectations in the second quarter. Previous acquisitions of Estonian and Finnish based affiliate networks also continued to perform according to expectations in the second quarter, resulting in a strong quarter for GIG's affiliate business.

Innovation Labs achieved more than 11,400 new FTDs (First Time Depositor) referred to operators in the second quarter 2016, compared to 4,700 in the first quarter 2016 and 1,507 in the second quarter 2015.

Of the 11,400 new FTDs, around 1,500 were referred to own brands, around 1,500 to iGC clients and the remaining to other operators.

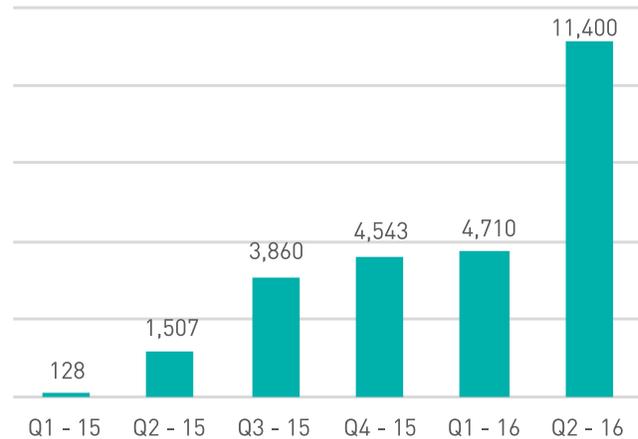
The acquisitions have significantly strengthened Innovation Labs' presence as an online traffic driver for the iGaming industry, and the Company is pleased with the development in the second quarter.

## Operators

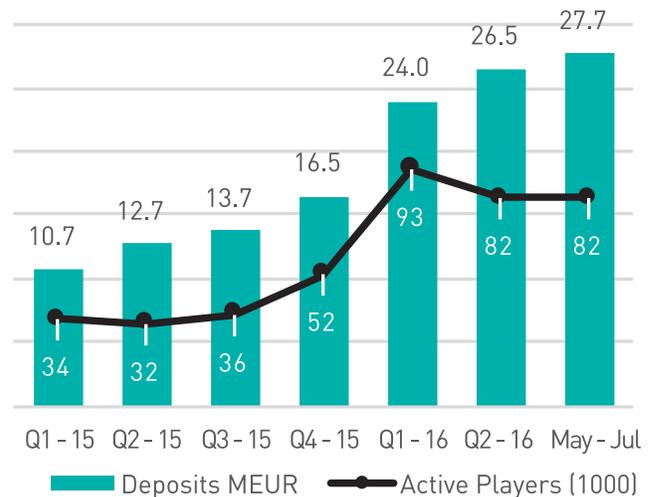
Collectively GIG's casino brands Guts.com, Rizk.com and Betspin.com during the second quarter continued the positive development. For the quarter, the number of active users were 81,645, compared to 92,937 in first quarter 2016 and 32,000 in second quarter 2015. The increase in number of active users in first quarter was fuelled by the successful launch of Rizk.com in January 2016. The marketing campaigns attracted bonus and free-spin players, and during the first half of 2016, the Company has emphasized on turning free-spin players into loyal depositing players. Although there was a decline in active players in the reporting period, total deposits have increased from MEUR 26.1 in first quarter to MEUR 27.7 in second quarter. April and May saw an overall decline but June had all time high GGR. This trend continued in July with both deposits and GGR/NGR at new all time high levels.

The operator business had margins of 3.3% in casino

## FTDs INNOVATION LABS



## DEPOSITS AND ACTIVE PLAYERS



and 7.0% in sports betting in the second quarter compared to 3.5% for casino and 6.4% for sports betting in the first quarter.

TV campaigns have continued for Guts.com and Rizk.com, resulting in total marketing expenses of EUR 3.60 million in the second quarter compared to EUR 3.34 million in the first quarter. This represents 37 per cent of revenues in second quarter, down from 42 per cent in first quarter 2016. Of the total marketing expenses, 73 per cent was attributable to up front payments, while 27 per cent are allocated revenue share agreements. The TV campaigns are planned to continue at approximately the same spending in the second half of 2016.

## OddsModel

In March 2016, GIG entered into an agreement to purchase the sports betting technology company OddsModel. The acquisition was a milestone in GIG's ambition to offer a leading platform for Sportsbooks. OddsModel has for several years developed software used for automated and manual pricing of global betting markets. The company produces data utilized to generate real-time pricing of Pre-Match and In-Play sports events using quantitative methods and proprietary analytical models, which are complementary to third party odds providers.

The main rationale for the OddsModel acquisition was the integration of the proprietary odds product to current B2C and B2B services, as well as the creation of a new pure B2B odds Service. The integration commenced in April and is progressing well, and is expected to gradually benefit the Company until OddsModel is fully integrated during Q1 2017.

Through the transaction, GIG assumed a team of top class experienced traders whom are sourcing the very best information and data into technology platforms to trade sports and hedge risk. By deriving prices from sports data the traders are executing betting strategies using automated software «trading-robots». In the second quarter, GIG has merged the Odds Models trading team with its existing trading in Gridmanager Ltd. which has benefited the company positively in the quarter.

GIG issued 21.7 million new GIG shares as consideration for all shares in OddsModel in May. The shares are subject to a two-year lock-up agreement.

## General

A majority of the employees are in Malta, and the Company has signed a lease for a new headquarter in Malta, currently under construction. The building will be constructed in two phases and will total 4,000 m2 with phase one projected to finish in May 2017.

## OUTLOOK

Overall development of the company has been very positive throughout the second quarter of the year. The company has successfully grown from 53 staff In January 2015, to 227 Staff by end of July 2016. The cost of recruiting and integrating such a high influx of staff has at large been absorbed. Parallel to this surge in recruitment, the company has undergone a transition from a marketing

firm, to a technology company, having conducted several successful product launches and acquisitions. The company is now fully ramped up to focus on growth across all business areas.

The company is pursuing a strategy of profitable growth and remains positive that it will exceed the guided €5m EBIT result at years end, while full year revenues is expected to exceed 100% growth. Further the company is seeing a strong growth trajectory across both revenues and EBIT into 2017.

iGC has previously guided 20 signed agreements by the end of 2016, and is now confident it will exceed this guiding.

## OUR BUSINESS

**The vision of Gaming Innovation Group is; «To Make iGaming an open and connected Eco-System, for the benefit of all». We do so by making digital connections between all stakeholders through the use of technology.**

Gaming Innovation Group Inc. operates out of Malta across three different iGaming business areas:

- Cloud services (B2B)
- Performance Marketing (B2B)
- Operators (B2C)

## Cloud Services

iGamingCloud (IGC) was founded on the vision of making the iGaming industry lean. To do so GIG has created an open cloud based platform as a software-as-a service. We are integrating application developers such as gaming services providers (GSPs), Payment services providers (PSPs), and ancillary software such as Marketing Suites, Customer Relation Management platforms and support system, through the use of APIs (Application Programming Interface). These service providers can access an eco-system of operators through one integration. The operators on their end can utilize our open APIs to connect their front-end website and CMS to the system and gain access to all the GSPs, PSPs, and ancillary services.

The iGC casino solution gives operators access to almost 1900 casino games from industry leading suppliers, including a large catalogue of the most renowned mobile games. Game orders and game categories can be added and adjusted on the fly thanks to our intelligent game manager allowing easy access and real-time management. The iGC back-office features a range of CRM, Bonusing,

Gamification/Game Layer and analytics tools to increase the customer's lifetime value. With iGC's Sportsbook solution, the operator has access to over 170,000 world wide sporting events all being controlled by our innovative back office. All features and functionality is offered through a Software-As-A-Service(SaaS), an intuitive software accessible at any time through a cloud based login.

iGC is utilizing cloud computing and the system framework for iGaming Cloud has been built around the latest technology, and maximizes uptime and allows updates without disruption to the operations. Uptime of the platform has been in excess of 99.98% since launch. The performance of the platform has proven to increase gross gaming. The iGC platform itself is fully scalable both horizontal and vertical with individual modules being scalable in anticipation of increased load.

Data is important to an iGaming operation and iGC platform provides full real time reporting, allowing the operator to store and utilize data for proprietary utilization. The first operator on the iGC platform, Betspin.com, went live in January 2015, followed by a successful migration of Guts.com in June. The first external client signed in April and went live in September. As of today, 13 external clients are in operation.

## Performance Marketing

The vision of Innovation Labs is to «improve the touchpoints were people are finding iGaming online». We aim to spread and highlight educational, informational and valuable content about the industry online. As such, we are promoting the best of the breed games, operators and offerings through reviews, articles, guides and comparisons made available at web portals. These web portals are indexed by Google and are ranking high among search results pages for relevant search terms. The traffic derived from these searches are channelled through to affiliated partners who track the origin of the traffic, and pay the proprietor of the traffic a share of perpetual revenue.

Innovation Labs aims to become one of the leading companies within online performance marketing, or affiliation, mainly serving external operators, but also the Company's own brands. Innovation Labs refers paying users to B2B clients primarily on perpetual revenue share agreements, but also on up front «Cost per Action» (CPA) payments, or a hybrid between Revenue shares and CPAs.

ILL completed three bolt-on acquisitions in 2015, increasing its traffic driving capabilities and so far in 2016, two additional acquisitions were added, increasing the business further. In Q2 Innovation Labs referred more than

11,400 First-Time Depositors (FTDs) to affiliated operators, making Innovation Labs on one of the top «affiliates» in the Nordic region in terms of traffic driving capability.

## Operators

iGaming is one of the most compelling entertainment options available. We see our operators as creative studios that seek to make digital connections with people through real money games. Our vision is to deliver the best user experience in the industry and we do so by offering a supreme customer service, innovative and immersive user interfaces, and exciting and attractive stories and offerings.

GIG is offering Business-to-Consumer (B2C) casino and sportsbetting services through its three brands, Guts.com, Betspin.com, and Rizk.com. All brands use iGaming Cloud and operate on GIG's own licenses from Malta Gaming Authorities (MGA) and the United Kingdom Gaming Commission (UKGC).

GIG's largest brand in terms of revenues and active players, is Guts.com. It is an online sportsbook and casino which launched in May 2013. Betspin.com launched in February 2015, as the iGC platform's first user. GIG has also developed a new casino brand, Rizk.com that successfully launched in January 2016. This brand focuses on «Gamification» and by utilizing the possibilities in the iGC platform, provides an innovative user interface which will differentiate its target audience from that of the two other brands.

## FINANCIAL PERFORMANCE - Q2 2016

Consolidated revenues were EUR 9.69 million in second quarter 2016, an increase of 23 per cent over first quarter 2016 (EUR 7.89 million), and 161 per cent over second quarter 2015 (EUR 3.71 million). Revenues comprise income from the Company's gaming sites Guts.com, Rizk.com and Betspin.com, from affiliate marketing in Innovation Labs, from B2B customers on the iGC platform and sport trading.

Cost of sales includes fees to game and payment suppliers as well as gaming taxes and other variable expenses. In second quarter 2016, cost of sales amounted to EUR 1.44 million, compared to EUR 1.29 in first quarter 2016 and EUR 0.91 in second quarter 2015. Thus, gross profit ended at EUR 8.25 million in second quarter 2016, a 25 per cent increase from EUR 6.59 million from first quarter 2016 and a 195 per cent

increase from first quarter 2015 (EUR 2.80 million). The gross profit margin was 85 per cent in second quarter 2016, up from 84 per cent in first quarter 2016 and 75 per cent in second quarter 2015.

Marketing expenses were EUR 3.60 million in second quarter 2016, a slight increase from EUR 3.34 million in first quarter 2016 (EUR 1.09 million in second quarter 2015). Marketing expenses amounted to 37 per cent of revenues in second quarter 2016, a reduction from 42 per cent in first quarter 2016 (29 per cent in second quarter 2015). Marketing expenses comprise both up front payments such as TV campaigns and affiliate commissions, and have increased during the last 12 months due to extensive TV campaigns for the Company's brands. TV campaigns are planned to continue at approximately the same spending going forward.

Other operating expenses amounted to EUR 3.69 million in second quarter 2016, an 11 per cent increase compared with EUR 3.33 million in first quarter 2016, and 126 per cent from EUR 1.63 million in second quarter 2015. Operating expenses are mainly related to salaries, rent and general corporate expenses, and the increase is a result of increased activity and an increase in the number of employees from around 160 to 200 during the quarter.

EBITDA for the second quarter 2016 ended at EUR 0.96 million, a significant improvement from negative EUR 0.07 million in first quarter 2016. EBITDA for second quarter 2015 was EUR 0.07 million. The improvement in EBITDA is a result of overall growth and improved operational performance within all business areas.

Depreciation and amortization amounted to EUR 0.18 million in second quarter 2016, compared to EUR 0.10 million in first quarter 2016 and EUR 0.05 million in second quarter 2015, leaving an EBIT of EUR 0.78 million in second quarter 2016, an improvement from negative EUR 0.18 in first quarter 2016 and EUR 0.03 in second quarter 2015.

Net other income was EUR 0.03 million in second quarter 2016, compared to a EUR 0.16 net other loss in first quarter 2016. Net other income was EUR 0.85 million in second quarter 2015, due to a gain on the sale of minority interest in a subsidiary in May 2015.

Net result for the second quarter ended at EUR 0.75 million, compared to negative EUR 0.33 million in first quarter 2016, and EUR 0.82 million in second quarter 2015.

## First Half 2016

Consolidated revenues were EUR 17.58 million in the first six months of 2016, a 169 per cent increase compared to EUR 6.52 million in the first half of 2015. Cost of sales amounted to EUR 2.74 million or 16 per cent of operating revenues in the first half of 2016 compared to EUR 1.84 or 28 per cent in the first half of 2015. Gross profit was EUR 14.84 million in the first half of 2016, a 217 per cent increase from EUR 4.68 million in the first half of 2015.

Marketing expenses amounted to EUR 6.94 million in the first half of 2016, compared to EUR 2.01 million in the first half of 2015. The increase reflects higher volumes on the Company's casino sites and TV marketing that started in the second half of 2015. Other operating expenses amounted to EUR 7.02 million in the first half of 2016, compared to EUR 2.65 million in the first half of 2015. The increase in operating expenses is a result of overall increased activity and number of employees.

EBITDA for the first half of 2016 was EUR 0.89 million, compared to EUR 0.02 million in the first half of 2015.

Net other income was negative EUR 0.13 million in the first half of 2016, compared to EUR 0.66 million in the first half of 2015, which includes a gain on the sale of a minority interest in a subsidiary in May 2015. Net result ended at EUR 0.41 million in the first half of 2016, compared to EUR 0.56 million in the first half of 2015.

## Cash Flow & Financial position

The consolidated net cash flow from operational activities amounted to EUR 0.97 million for the second quarter 2016 (EUR 0.25 million in second quarter 2015). The net cash flow used by investing activities was EUR -4.13 million in second quarter 2016, mainly due to the acquisition of affiliate assets in the quarter (EUR -0.85 million in second quarter 2015). Net cash flow from financing activities was EUR 2.12 million in second quarter 2016 due to increase in short term loans for the financing of affiliate acquisitions (EUR 0.82 million in second quarter 2015).

The net decrease in cash and cash equivalents in second quarter 2016 amounted to EUR 1.21 million (EUR 0.02 million in second quarter 2015), and by 30 June 2016, holdings of cash and cash equivalents amounted to EUR 3.09 million (EUR 1.15 million as of 30 June 2015). Included are amounts of EUR xx that are held in a fiduciary capacity and represent customer monies, whose use is restricted in terms of the Remote Gaming Regulations.

As of 30 June 2016, GIG had total assets of EUR 57.43 million, including goodwill resulting from the GIG/Nio merger of EUR 22.23 million (see note 3). Net interest bearing debt as at 30 June 2016 was EUR 5.18 million, compared to EUR 2.74 million as at 30 June 2015.

## ACQUISITION OF BETIT GROUP LTD.

The Company has entered into an agreement to acquire all shares in iGaming company Betit Holding Ltd. (Betit), aiming to create one of the largest and fastest growing players in the Scandinavian iGaming market. The acquisition is significantly increasing GiG's reach to users, marketing partners and highly competent staff.

Betit was founded in 2013 and owns the three iGaming operators Kaboo.com, SuperLenny.com and Thrills.com. Since then, Betit has seen rapid growth with an average quarterly growth of around 15% with revenues in 2015 of EUR 20.6 million and EUR 8.2 million in Q2 2016.

The main shareholder of Betit, Optimizer Invest, is an iGaming investment company founded and owned by Henrik Persson, Andre Lavold and Mikael Riese Harstad, who in addition to having founded Betit, previously have managed a number of successful iGaming companies such as Betsafe, NordicGaming Group (NordicBet) and BestGames Holdings.

Combined, Betit and GIG will operate six brands, and the acquisition will create attractive commercial, operational and technological synergies, as well as enable cost savings and accelerated growth. Through use of innovative and proprietary products, digital marketing and by setting the benchmark for user experience, the combined company aim is to become a market leader.

Betit's proprietary front-end platform enables synergies between the brands and provides powerful marketing capabilities such as innovative gamification and CRM features, in addition to providing a best in class mobile product for all brands. Following an integration of each of GiG's three operator brands, this will also enhance the offering of GIG's gaming brands going forward and is highly complementary to GIG's current offering.

GIG will issue 153.5 million new shares as consideration for all shares in Betit. Further, GIG and major shareholder in Betit, Optimizer Invest (Optimizer), has agreed to convert Optimizer's 10% holding in GIG's subsidiary iGaming Cloud Ltd. into 56.5 million new GIG-shares. The closing of the transactions are subject to shareholder approval to increase the authorized shares in GIG and necessary

approvals from relevant gaming authorities. GIG will call for an extraordinary shareholder meeting to be held on 31 August 2016.

## SHAREHOLDER MATTERS

In May 2016, the Company issued 83,435,314 new shares of its common stock, increasing the number of outstanding shares from 525,120,952 to 608,556,266.

4,336,314 and 8,960,000 shares were issued as part payment for the purchases of affiliate assets from Delta Markets B.V. and Magenti Media AB respectively, and 21,739,000 shares as payment for the purchase of OddsModel AS. 47,900,000 shares were issued as the earn-out consideration for 2015 to the sellers of Gaming Innovation Group Ltd., and finally, 500,000 shares were issued for the exercise of an option at a share price of NOK 1.30 per share.

In connection with the purchase of the minority interests in GIG's subsidiary Candid Gaming Ltd. in December 2014, GIG shares were issued to a trust for the benefit of key employees. In May, it was agreed to return the remaining 8,500,000 shares in the trust to the Company, increasing GIG's holding of own shares from 415,000 to 8,915,000. Thus, GIG's holding of own shares increased from 0.08% of the outstanding shares to 1.46% of the new number of outstanding shares as of 30 June 2016.

The total outstanding number of shares in GIG as at 30 June 2016 was 608,556,266 (par value USD 0.10). The Company has 750,000,000 authorized shares.

500,000 options expired in April, and 500,000 were exercised in May 2016. Also in May, the Company granted 2,220,000 new options to key employees with an exercise price of NOK 4.00 per share. 720,000 of the options are exercisable with 1/3 in May 2018, 1/3 in May 2019 and 1/3 in May 2020 and the remaining 1,500,000 options are exercisable with 1/3 in September 2018, 1/3 in September 2019 and 1/3 in September 2020, pending employment and fulfilment of certain operational targets.

Employees holding options have exercised their rights to buy 950,000 shares in Gaming Innovation Group Inc. at share prices of NOK 1.25 and NOK 1.50 per share. GIG has transferred part of its treasury shares to the optionees in July, decreasing the holding of treasury shares from 8,915,000 to 7,965,000, or from 1.46 % to 1.31 % of the outstanding shares.

After the exercise, 9,420,000 options are outstanding as of today.

## STATEMENT FROM THE BOARD OF DIRECTORS

The Board of Directors has today approved the condensed consolidated financial statements for the first six months of 2016 and the condensed consolidated balance sheet per 30 June 2016 for Gaming Innovation Group Inc.

We declare to the best of our belief that the condensed consolidated financial statements for the first half of 2016 gives a true and fair view of the Company's assets, liabilities, financial position and results of operations, and that the report is produced according to prevailing accounting standards.

We also declare, to the best of our belief, that the half-year report provides a fair view of the information required under §5-6 (4) of the Norwegian Securities Act. We also confirm that any description of transactions with related parties are correct. The relevant risks the Company is exposed to are described in the Company's 2015 Annual Report.

August 17, 2016

The Board of Directors of Gaming Innovation Group Inc.



**Helge Nielsen**  
CHAIRMAN



**Jon B. Skabo**  
DIRECTOR



**Morten Soltveit**  
DIRECTOR



**Kjetil M. Aasen**  
DIRECTOR



**Robin Reed**  
CEO

# GAMING INNOVATION GROUP INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

EUR - UNAUDITED					
	Q2 2016	Q2 2015	6M 2016	6M 2015	2015
<b>Revenues</b>	9 691 104	3 710 957	17 577 079	6 522 937	17 749 037
Cost of sales	1 443 814	914 605	2 738 068	1 838 793	4 042 188
<b>Gross profit</b>	8 247 290	2 796 352	14 839 011	4 684 144	13 706 849
<b>Operating expenses</b>					
Marketing expenses	3 598 274	1 091 576	6 937 022	2 011 876	7 670 104
Other operating expenses	3 690 637	1 632 344	7 015 700	2 653 415	8 098 858
<b>Total operating expenses</b>	7 288 911	2 723 920	13 952 722	4 665 291	15 768 962
<b>EBITDA</b>	958 379	72 432	886 289	18 853	-2 062 113
Depreciation & amortization	178 152	46 697	282 464	80 961	333 211
<b>EBIT</b>	780 227	25 735	603 825	-62 108	-2 395 324
Other income (expense)	25 572	849 730	-131 451	657 893	337 265
<b>Result before income taxes</b>	805 799	875 465	472 374	595 785	-2 058 059
Tax income/(expense)	-58 412	-51 109	-58 412	-37 144	-31 438
<b>Net results</b>	747 387	824 356	413 962	558 641	-2 089 497
Exchange differences on translation of foreign operations	-167 119	-55 372	-202 949	-55 372	-150 368
Fair value movement in available for sale investment	-	-	125 702	-	-
<b>Total comprehensive income (loss)</b>	580 268	768 984	336 715	503 269	-2 239 865
<b>Total comprehensive income (loss) attributable to:</b>					
Owners of the Company	593 282	607 711	392 130	227 246	-2 136 071
Non-controlling interests	-13 014	161 273	-55 415	276 023	-103 794
<b>Total comprehensive income (loss)</b>	580 268	768 984	336 715	503 269	-2 239 865
<b>Earnings (losses) per share attributable to GIG Inc:</b>					
Basic and diluted earnings (losses) per share	0.00	0.00	0.00	0.00	-0.01
Weighted average shares outstanding	554 533 241	206 648 029	533 855 860	180 407 272	405 056 147

# GAMING INNOVATION GROUP INC.

## CONDENSED STATEMENTS OF FINANCIAL POSITION

EUR - UNAUDITED			
	Q2 2016	Q2 2015	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	8,564,791	22 252 461	22 230 484
Intangible assets	37,201,524	4 300 455	5 906 768
Deposits and other non-current assets	1 599 981	1 347 994	1 426 611
<b>Total non-current assets</b>	<b>47 366 296</b>	<b>27 900 910</b>	<b>29 563 863</b>
<b>Current assets</b>			
Prepaid and other current assets	24 516	452 148	159 805
Trade and other receivables	6 948 563	2 456 417	3 474 238
Cash and cash equivalents	3 094 945	1 150 638	2 091 721
<b>Total current assets</b>	<b>10 068 024</b>	<b>4 059 203</b>	<b>5 725 764</b>
<b>TOTAL ASSETS</b>	<b>57 434 320</b>	<b>31 960 113</b>	<b>35 289 627</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity:</b>			
Share capital	52 955 695	43 317 798	43 410 350
Share premium/reserves	-5 633 706	-17 162 244	-14 040 547
Retained earnings (deficit)	-1 728 439	70 505	-2 197 816
<b>Total equity attributable to GIG Inc.</b>	<b>45 593 550</b>	<b>26 226 059</b>	<b>27 171 987</b>
Non-controlling interests	-158 383	770 131	-102 156
<b>Total shareholders' equity</b>	<b>45 435 167</b>	<b>26 996 190</b>	<b>27 069 831</b>
<b>Liabilities:</b>			
Trade payables and accrued expenses	6 821 600	2 219 734	4 647 030
Short term loans	3 581 428	2 285 472	2 031 391
<b>Total current liabilities</b>	<b>10 403 028</b>	<b>4 505 206</b>	<b>6 678 421</b>
Long term loans	1 596 125	458 717	1 541 375
<b>Total liabilities</b>	<b>11 999 153</b>	<b>4 963 923</b>	<b>8 219 796</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>57 434 320</b>	<b>31 960 113</b>	<b>35 289 627</b>
<b>CONDENSED STATEMENTS OF CHANGES IN EQUITY:</b>			
<b>Equity at beginning of period</b>	<b>27 069 831</b>	<b>2 703 766</b>	<b>2 703 766</b>
Exchange of shares of GIG Ltd. for GIG Inc.	-	21 507 152	22 232 286
Sale of subsidiary interest	-	1 000 000	1 000 000
Exercise of warrants	-	769 747	914 794
Issuance of treasury shares in repayment of debt and purchase of affiliates	-	-	672 627
Issuance of shares for cash, in repayment of debt and purchase of subsidiaries and affiliates	18 021 989	499 948	1 662 448
Fair value movement in available for sale investments	125 702	-	-
Share compensation expense/adjustment	6 632	12 308	123 775
Non controlling interests	-55 415	276 023	-103 794
Exchange differences on translation of foreign operations	-202 949	-55 372	-150 368
Net results	469 377	282 618	-1 985 703
<b>Equity at end of period</b>	<b>45 435 167</b>	<b>26 996 190</b>	<b>27 069 831</b>

# GAMING INNOVATION GROUP INC.

## CONDENSED STATEMENTS OF CASH FLOWS

EUR - UNAUDITED					
	Q2 2016	Q2 2015	6M 2016	6M 2015	2015
<b>Cash flows from operating activities</b>					
Results before income taxes	805 799	875 465	472 374	595 785	-2 058 059
Adjustments to reconcile profit before tax to net cash flow:					
Tax refund (expense)	-58 412	-51 109	-58 412	-37 144	-31 438
Depreciation and amortization	178 152	46 697	282 464	80 961	333 211
Other adjustments for non-cash items and changes in operating assets and liabilities	45 748	-625 342	-1 444 470	-73 054	567 542
<b>Net cash provided by operating activities</b>	<b>971 287</b>	<b>245 711</b>	<b>-748 044</b>	<b>566 548</b>	<b>-1 188 744</b>
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	-149 540	-55 538	-174 522	-198 981	-358 816
Purchase of affiliates	-3 910 792	-	-3 910 792	-	-
Cash flow from other investing activities	-74 315	-793 609	-122 540	-764 633	-1 245 213
<b>Net cash used by investing activities</b>	<b>-4 134 647</b>	<b>-849 147</b>	<b>-4 207 854</b>	<b>-963 614</b>	<b>-1 604 029</b>
<b>Cash flows from financing activities</b>					
Issuance of shares	69 392	-	4 557 084	-	145 047
Proceeds from loans	2 144 113	800 000	3 734 045	800 000	4 360 645
Repayment of loans	-97 867	-	-2 129 258	-	-752 944
Cash flow from other financing activities	-	15 000	-	65 000	-
<b>Net cash provided by financing activities</b>	<b>2 115 638</b>	<b>815 000</b>	<b>6 161 871</b>	<b>865 000</b>	<b>3 752 748</b>
Translation loss	-167 119	-55 372	-202 949	-55 372	-150 368
<b>Net increase (decrease) in cash</b>	<b>-1 214 841</b>	<b>156 192</b>	<b>1 003 024</b>	<b>412 562</b>	<b>809 607</b>
Cash and cash equivalents - beginning	4 309 786	994 446	2 091 721	738 076	1 282 114
<b>Cash and cash equivalents - end</b>	<b>3 094 945</b>	<b>1 150 638</b>	<b>3 094 745</b>	<b>1 150 638</b>	<b>2 091 721</b>

# GAMING INNOVATION GROUP INC.

## Selected notes to condensed consolidated financial statements as of and for the periods ending 30 June 2016 and 2015

### 1. GENERAL INFORMATION

Gaming Innovation Group Inc. (formerly Nio Inc.), ("GIG." or the "Company") is a US corporation incorporated in the state of Delaware and traded on the Oslo Stock Exchange with the ticker symbol "GIG". Gaming Innovation Group Limited ("Limited") is incorporated and domiciled in Malta, having a registered office at GB Buildings Penthouse, Watar Street, Ta' Xbiex, XBX 1301. Pursuant to a reverse merger transaction consummated effective 17 June 2015, Limited became a wholly-owned subsidiary of GIG. In connection with the reverse merger, Nio Inc. changed its name to Gaming Innovation Group, Inc. The transaction resulted in the shareholders of Limited owning approximately 64% of GIG's post-transaction outstanding shares. Accordingly, although GIG is the legal parent, Limited is treated as the accounting acquirer and parent. (See the discussion of the accounting treatment in the last two paragraphs of this Note 1). The Company's principal activity is to provide a platform for and facilitate internet gambling, gaming and betting.

Except as discussed in the following paragraph, the condensed consolidated financial statements of the Company as at and for the periods ended 30 June 2016 and 2015 are comprised of Limited, and its accounting basis subsidiaries: GIG, Candid Gaming Ltd ("Candid") and Gridmanager Ltd ("Grid") (corporations registered in Malta), GE Online Ltd ("Online") (a corporation registered in Gibraltar) and Les Encheres Bidou Inc. ("Bidou") (a corporation registered in Canada), MT Secure Trade Ltd, ("Secure") Innovation Labs Ltd, ("Labs") iGaming Cloud Ltd. (90%), ("iGC") BettingCloud Ltd. (formerly Gaming Exchange Ltd.) ("Exchange"), Zecure Gaming Limited (Zecure) (corporations registered in Malta), Spaseeba AS ("Spaseeba") (a corporation registered in Norway), NV SecureTrade Ltd ("Trade") and iGamingCloud NV ("Cloud") (corporations registered in Curacao), Online Performance Marketing Ltd. (Performance) and Downright Marketing Ltd. ("Downright") (corporations registered in British Virgin Islands), iGamingCloud Services SLU ("SLU") (a corporation registered in Spain) and Oddsmodel AS ("OM") from 1 April 2016 (a corporation registered in Norway).

The operations of Candid, Grid, Online and Bidou are only consolidated from 17 June 2015, the effective date of the reverse acquisition. These four companies were the only subsidiaries of GIG with continuing operations and are included from the merger date. Online and Bidou were dissolved as of 31 December 2015. All of GIG's other historical transactions through 16 June 2015 have been closed out to accumulated deficit and have been reclassified to share premium (deficiency) on the accompanying statement of shareholders equity.

### 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in conformity with IAS 34 and do not include all of the information required for full annual financial statements. The condensed consolidated interim financial statements for the periods ended 30 June 2016 and 2015 have not been audited by the Company's auditors.

These unaudited interim condensed financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The condensed consolidated financial statements report the six months of 2016 and the full year of operations of 2015 of Gaming Innovation Group Inc and subsidiaries along with activities for the four GIG subsidiaries noted above for the period 17 June to 31 December 2015 based on the fact that Limited has been determined to be the accounting acquirer and GIG has been determined to be the accounting acquiree.

The Company's consolidated financial statements are presented in Euros (EUR), which is the presentation and functional currency of the Company.

The functional currencies of its subsidiaries are the United States dollar, the Euro Norwegian Kroner and the Canadian dollar which are translated into EUR at monthly average rates for revenues and expenses and at month end rates for assets and liabilities. Equity accounts are translated at historical rates. Exchange differences on translation of foreign operations are shown as a separate component of stockholders' equity (deficit) and reflected as other comprehensive income (loss) on the consolidated statement of comprehensive income (loss).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Accounting Policies

The accounting policies adopted and used in preparing the condensed consolidated financial statements as of and for the periods ending 30 June 2016 and 2015 are consistent with those used in preparing the Company's consolidated financial statements as of and for the year ended 31 December 2015.

#### Revenue Recognition Policy

Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the

Company's activities. The Company recognizes revenue, including other operating revenue, when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met as described below.

Gaming transactions that are not deemed to be financial instruments, where the Company revenues stem from commissions, and winnings that are subject to a fixed percentage are recorded in accordance with IAS 18 Revenue. Gaming revenues are recognized net after the deduction of players' winnings, bonuses and jackpot contributions. The revenue recognized in this manner relates to Poker and Casino.

Revenue from gaming transactions that are deemed to be financial instruments, where the Company takes open positions against players, is recognized as a net fair value gain or loss after the deduction of players' winnings, bonuses and gaming taxes. The revenue recognized in this manner relates to sports betting.

Revenue from transactions where the Company is taking positions against players, such as sports betting and online casino, is recognized when the outcome of an event is known. Revenue from commissions arising from transactions where the Company does not take an open position against players, such as poker, is recognized when players place wagers in a pool.

Costs that are not reported as part of the net gain or loss within revenue include inter alia bank charges, fees paid to platform and payment providers and certain gaming taxes.

Interest income is recognized when the right to receive payment is established.

#### **Goodwill**

Under IFRS 3, goodwill is the excess of consideration paid in a business combination over the fair value of the net tangible and intangible assets acquired. Pursuant to reverse acquisition accounting, Limited has valued the Company's net outstanding 148,099,952 shares at their market price on the closing of the merger transaction, NOK 1.16 [EUR 0.133]. These are the shares Limited is deemed to have issued to effect the merger. The aggregate fair value of these shares was EUR 19,697,294 and the fair value of the Company's assets net of its liabilities have been determined to be equivalent to their carrying values EUR -2,529,911, resulting in goodwill of EUR 22,227,205. This goodwill has been allocated to the Company's cash generating units, and the excess of the purchase price over the book value of the assets acquired has been allocated between various identifiable intangibles with any balance as goodwill. Based on management's analysis, the EUR 22,227,205 in goodwill has been allocated to intangibles as of 30 June 2016. The above allocation process was completed during second quarter 2016 as permitted by

International accounting standards.

Under IFRS 3, goodwill is the excess of consideration paid in a business combination over the fair value of the net tangible and intangible assets acquired. Pursuant to the acquisition of Oddsmodel AS in April 2016, the shares issued as consideration have been valued at their market price on the closing of the transaction and the aggregate fair value of these shares was EUR 8,585,700 and the fair value of Oddsmodel's assets net of its liabilities have been determined to be equivalent to their carrying values [EUR 24,188], resulting in goodwill of EUR 8,561,512. Due to the relatively short period of time since the acquisition of OM, management does not believe any impairment of goodwill has occurred. The Company will allocate the goodwill over various identifiable intangibles within twelve months of the acquisition date as required by IFRS.

#### **4. INTANGIBLE ASSETS OTHER THAN GOODWILL**

In connection with the forward acquisition of Spaseeba AS effective 1 May 2015 the shares issued to acquire Spaseeba were valued at the market price of the Company's shares on the closing of the merger transaction, NOK 1.16 [EUR 0.13]. The aggregate value of these shares was EUR 3,589,891 based on a fair value calculation. In Q3 2015, the Company acquired two affiliate networks including a large amount of websites with guides and quality content for the gaming industry and existing portfolios of affiliate accounts with partnering operators. The combine purchase price of EUR 1,550,000 is booked as intangible.

In Q2 2016, the company acquired two additional affiliate networks including a large amount of websites with guides and quality content for the gaming industry and existing portfolios of affiliate accounts with partnering operators. The combined purchase price of EUR 9,275,437 is booked as intangible.

#### **5. SEGMENT INFORMATION**

The Company operated a single segment in 2016 and 2015 and as such, segment information is not presented. Geographical sales will be disclosed annually in the annual report.

#### **6. EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share are calculated by dividing the net income (loss) for the period, plus or minus applicable dividends, by the weighted number of shares outstanding. Diluted earnings (loss) per share utilize the same numerator, but outstanding shares in gain periods include the dilutive effect of outstanding warrants and options determined by the treasury stock method. Due to the loss in 2015, outstanding common stock options and warrants were

anti-dilutive and accordingly were excluded from this calculation. For the six months ended 30 June 2016, the dilutive effect of outstanding options and warrants was immaterial.

## 7. CHANGES IN EQUITY

In January 2015, the Company purchased the minority interest in its subsidiary Candid for a consideration of 41,000,000 new shares. Of such shares, 27,000,000 shares were issued to acquire Candid and 14,000,000 were issued to a trust for the benefit of key Candid employees. In August 2015, 5,000,000 shares were returned to the Company as treasury shares and 500,000 shares were allocated to employees, and in May 2016, the remaining 8,500,000 shares were returned to the Company.

Pursuant to the reverse merger agreement (see Note 1), the sellers are entitled to a variable consideration of up to a maximum of 125 million earn-out shares, provided that Limited reached certain revenue targets. Based on Limited's audited financial statements for 2015, 47,900,000 shares were issued in May 2016 based on 2015 performance.

Pursuant to a special shareholders' meeting on 17 March 2015,

the Company's number of authorized shares increased from 250,000,000 to 750,000,000 each with a par value of \$0.10.

In connection with the reverse merger of Limited, 318.9 million shares are subject to a lock-up until 17 June 2017.

During January 2016, 23,000,000 new shares of its common stock were issued for cash at NOK 1.95 per share.

In April, 2016 the Company completed the acquisition of affiliate network assets from Delta Markets N.V. for a total consideration of EUR 4,200,000. An amount of EUR 2,640,000 was settled in cash with the remaining consideration settled through the issuance of 4,336,314 new shares. The market value of the new shares in GIG as at the date of the purchase agreement was EUR 1,260,000.

In May 2016, the Company completed the acquisition of affiliate network assets from Magenti Media for a total consideration of SEK 47,500,000. An amount of SEK 13,500,000 was settled in cash with the remaining consideration settled through the issuance of 8,960,000 new shares. The market value of the new shares as at the date of the purchase agreement was EUR 5,075,437.

Also, in May 2016, the Company completed the purchase of

	Treasury shares	Common Stock Shares issued	Common Stock Shares Outstanding	Common Stock Amount	Share Premium/ Adjusted	Non-controlling interest	Translation reserve	Retained Earnings (Deficit)	Total Equity
Balance at 1 January 2016	9,415,000	502,120,952	492,705,952	43,410,350	-13,900,611	-102,156	-139,936	-2,197,816	27,069,831
Issuance of shares for cash, options, earn-out and purchase of affiliate assets	-500,000	106,435,316	106,935,316	9,545,345	8,476,644	-	-	-	18,021,989
Change in value of available for sale financial assets	-	-	-	-	126,514	-812	-	-	125,702
Share compensation expense	-	-	-	-	6,632	-	-	-	6,632
Net results	-	-	-	-	-	-55,415	-	469,377	413,962
Exchange differences on translating foreign operations	-	-	-	-	-	-	-202,949	-	-202,949
Balance at 30 June 2016	8,915,000	608,556,268	599,641,268	52,955,695	-5,290,821	-158,383	-342,885	-1,728,439	45,435,167

OddsModel AS, a sports betting technology company. 21,739,000 new shares of the Company's common stock were issued as payment for the purchase. The market value of the new shares in GIG as at the date of the purchase agreement was EUR 8,585,700.

As of 30 June 2016, Inc. owned 8,915,000 treasury shares.

## 8. LOANS PAYABLE SHAREHOLDERS

In June 2014, the Company entered into a NOK 11,975,000 loan agreement with a group of lenders with an interest rate of 10% per annum and maturity on 15 September, 2015. The lenders were granted an option to convert the loan into Company shares at a share price of NOK 0.50. In January, 2015, one million NOKs in loan value was converted into two million Company shares. In the third quarter of 2015, the remaining loan balance was converted into 21,890,000 Company shares.

In May 2015, Limited entered into a loan agreement for EUR 700,000 with a lender with an interest rate of 10% per annum and maturity in December, 2015. The loan was repaid in December 2015.

In June 2015, the Company entered into loan agreements for NOK 7,000,000 with an interest rate of 10% per annum and maturing on 30 September, 2015. Thereafter, the loan was increased by a total of NOK 13,050,000, and the maturity was extended until 1 June 2016. The loan was repaid in January 2016.

In December 2015, the Company entered into two revolving loan facilities: (a) DKK 4,000,000 with a Danish bank with an interest rate of 10% per annum and maturity on 1 January 2018 and (b) NOK 9,700,000 with a shareholder with an interest rate of 10% per annum due on demand at monthly intervals.

In March 2016, the Company entered into loan agreements for NOK 17,500,000 and EUR 300,000 with an interest rate of 10% per annum. The loans had maturity ranging from 31 May 2016 through 31 December 2016. Thereafter, this loan facility was increased by a total of NOK 16,000,000 and maturity was extended for the loans maturing 31 May 2016. Close associates of Helge Nielsen and Jon Skabo, board members of the Company, participate in the loan with NOK 3,500,000 and NOK 3,000,000 respectively.

Short-term loans outstanding balances at 30 June 2016 and 2015 were EUR 3,581,428 and 2,285,472, respectively. Long term loans outstanding balances at 30 June 2016 and 2015 were EUR 1,596,125 and 458,717, respectively.

## 9. RELATED PARTY TRANSACTIONS

There were no other material related parties' transactions in the first quarter of 2016 than reported above in Notes 7 and 8.

## 10. SUBSEQUENT EVENTS

On 30 June 2016 the Company announced that a Letter of Intent was signed with the shareholders of iGaming company Betit Holdings Ltd. (Betit) to exchange the entire issued capital of Betit for shares in GIG. Further, GIG and a major shareholder in Betit, Optimizer Invest has agreed to convert Optimizer's 10% holding in GIG's subsidiary iGaming Cloud Ltd. into 56.5 million new GIG-shares. Upon closing of these acquisition, 210,000,000 new shares in GIG will be issued. The closing is expected to be completed in August 2016, and is subject to a satisfactory due diligence review, approval by GIG's Board of Directors and a shareholder approval to increase the authorized shares in GIG and necessary approvals from relevant gaming authorities.



Gaming Innovation Group Inc.

MALTA  
GB Buildings, Penthouse  
Water Street  
Ta' Xbiex XBX 1301  
Malta

UNITED STATES  
10700 Stringfellow Rd., Suite 10  
Bokeelia, FL 33922, USA  
Phone: +1 (239) 282-0563  
Fax: +1 (239) 282-2391

[www.gaminginnovationgroup.com](http://www.gaminginnovationgroup.com)