



**Q1 2017**

# **INTERIM REPORT**

**2 MAY 2017**

# THIS IS GAMING INNOVATION GROUP

## VISION

Making iGaming an open and connected Eco-System, for the benefit of all.

## OPERATIONS

Gaming Innovation Group Inc. operates its iGaming business out of Malta divided into the Business to Consumer (B2C) and Business to Business (B2B) segments.

## OPERATORS (B2C)

GIG is offering Business-to-Consumer (B2C) casino and sports betting services through its six brands, guts.com, betspin.com, rizk.com, kaboo.com, thrills.com and superlenny.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 operators have a vision to deliver the best user experience in the industry by offering a supreme customer service, innovative and immersive user interfaces, and exciting and attractive stories and offerings.

iGaming is one of the most compelling entertainment options available and GIG sees our operators as creative studios that seek to make digital connections with people through real money games.

## CLOUD BASED SERVICES (B2B)

iGamingCloud (iGC) is an open cloud based platform, offering the full range of services needed for an iGaming operator.

iGC's vision is to make the iGaming industry lean. The iGC-platform is integrating application developers that can access an eco-system of operators through a single integration. The operators on their end can utilize 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 around 2000 casino games from industry leading suppliers, including a large catalogue of the most renowned mobile games. With iGC's Sportsbook solution, the operator has access to over 170,000 world wide sporting events, all being controlled by an innovative back office. All features and functionality are offered through a Software-As-A-Service (SaaS).

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.

## DIGITAL MARKETING SERVICES (B2B)

GIG's digital marketing services (Innovation Labs) refer traffic across casino, poker and sports betting by operating websites who rank high in search results for specific keywords.

The vision of Innovation Labs is to improve the touchpoints where people are finding iGaming online. This is done through highlighting educational, informational and valuable content about the industry online, promoting the best of the breed games, operators and offerings through reviews, articles, guides and comparisons made available on various web portals.

Innovation Labs revenues are generated through shares of perpetual revenues, Cost Per Action (CPA), or a hybrid between revenue share and CPAs.

Innovation Labs is one of the top three affiliates in the Nordics in terms of traffic driving capability.

# Q1 2017 INTERIM REPORT

## HIGHLIGHTS

- CONTINUED GROWTH AND ALL TIME HIGH REVENUES FOR THE GROUP; EUR 23.1 MILLION IN FIRST QUARTER 2017, AN INCREASE OF 193% FROM EUR 7.9 MILLION IN FIRST QUARTER 2016, AND 7% QUARTER OVER QUARTER
- THE COMPANY IS EXPECTING CONTINUED REVENUE GROWTH, WITH YEARLY REVENUES IN EXCESS OF EUR 120 MILLION IN 2017
- EBITDA OF EUR -0.35 MILLION IN FIRST QUARTER 2017, COMPARED WITH EUR -0.07 MILLION IN FIRST QUARTER 2016, AND EUR 3.86 MILLION IN FOURTH QUARTER 2016
- FUNDING FOR FUTURE GROWTH SECURED THROUGH SEK 400 MILLION BOND ISSUE
- TWO AFFILIATE ACQUISITIONS IN THE QUARTER, AND ONE IN APRIL – CREATING A LEADING AFFILIATE COMPANY
- INNOVATION LABS REFERRED 12,500 FIRST TIME DEPOSITORS TO GIG'S OWN AND EXTERNAL BRANDS IN THE FOURTH QUARTER, UP 21% OVER THE PREVIOUS QUARTER
- IGAMINGCLOUD SIGNED FOUR NEW CLIENTS IN FIRST QUARTER, ADDING UP TO A TOTAL OF 28 AGREEMENTS. 21 EXTERNAL BRANDS WERE OPERATIONAL ON THE IGC PLATFORM IN THE QUARTER, IN ADDITION TO GIG'S OWN BRANDS

## KEY FIGURES

EUR 1000	Q1 2017	Q1 2016	2016
REVENUE	23 074	7 886	53 605
EBITDA	-350	-72	5 816
PRE TAX PROFIT (LOSS)	-2 452	1 038	2 758

## 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.

# Q1 2017 INTERIM REPORT

## OPERATIONAL UPDATE

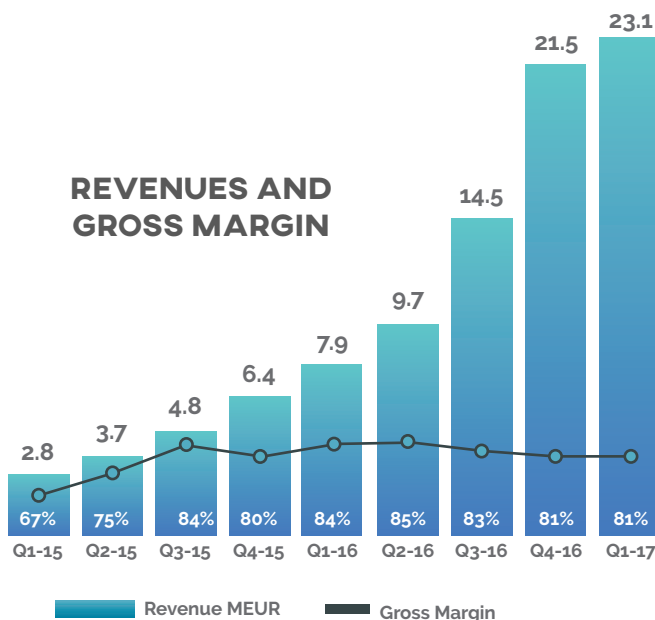
Gaming Innovation Group Inc. (GIG) continued to grow across its business areas in the first quarter 2017. The main achievements during the quarter were:

- Continued growth in deposits and GGR (gross gaming revenues) for the operators, and an increase in active users to 188,879 in the first quarter, from 183,521 in the fourth quarter 2016. As expected, migration of Betit's three brands to the iGC platform in November had a temporarily negative impact during the first part of the quarter.
- iGaming Cloud (iGC) had 21 external operators live at the end of the quarter, and four new agreements were entered into during the quarter. A total of 28 agreements have been signed.
- Growth for Innovation Labs' affiliate business through increased number of referred FTDs, and revenue and two acquisitions during the quarter.

GIG has successfully completed the issuance of a SEK 400 million senior secured bond in the Nordic bond market, with a SEK 1,250 million borrowing limit and final maturity in March 2020. The bond issue was significantly oversubscribed, and received strong demand across the Nordic region. The bond issue has a fixed coupon of 7.0% p.a.

Net proceeds from the bond issue will primarily be used for acquisitions, mainly within affiliate marketing, where GIG last week entered into an agreement regarding a new, strategically important acquisition. Proceeds will also be used to refinance existing debt in full (EUR 6 million), as well as towards general corporate purposes

## REVENUES AND GROSS MARGIN



## B2C

The B2C segment include Gaming Innovations Groups six gaming operators, Rizk.com, Betspin.com, Guts.com, Kaboo.com, Thrills.com and Superlenny.com

MEUR	Q1 2017	Q1 2016	2016
<b>REVENUE</b>	18.49	6.66	42.40
<b>MARKETING EXPENSE</b>	11.12	3.37	19.80
<b>EBITDA</b>	-2.53	-0.67	-1.12
<b>TOTAL DEPOSITS</b>	73.2	16.5	159.1

## GAMING OPERATORS

GIG's casino brands continued their progress in the first quarter, with all time high deposits and Gross Gaming Revenue (GGR). For the quarter, total deposits were EUR 73.2 million, up 9% from EUR 66.9 million in the fourth quarter 2016.

Revenues for the B2C segment amounted to EUR 18,5 million in the first quarter, a 3.1% increase from EUR 17,9 million in the fourth quarter 2016.

The operator business had margins of 3.61% in casino and 6.6% in sports betting in the first quarter, compared to 3.72% for casino and 6.5% for sports betting in the previous quarter. Betting duties was 3.6% of revenues in first quarter 2017 (2.0% in first quarter 2016).

The number of active users for the B2C segment was 188,879 in the first quarter, up from 183,521 in the fourth quarter. GIG's original brands, Guts.com, Rizk.com and Betspin.com, had an all time high of 121,880 active users in first quarter 2017, over 109,259 in the fourth quarter 2016. The three Betit brands had 66,999 active users in the first quarter, a decrease from 74,262 in the fourth quarter 2016.

Revenues from GIG's historical brands were EUR 10.97 million in the first quarter, an increase of 5.1% over the fourth quarter 2016, and 64.6% over the first quarter 2016. Revenues from the Betit brands were EUR 7.53 million, an increase of 0.5% compared with the fourth quarter 2016, and 10.1% over the first quarter 2016.

The results from the Betit brands were beyond expectations, but the brands have now returned to a strong growth modus.

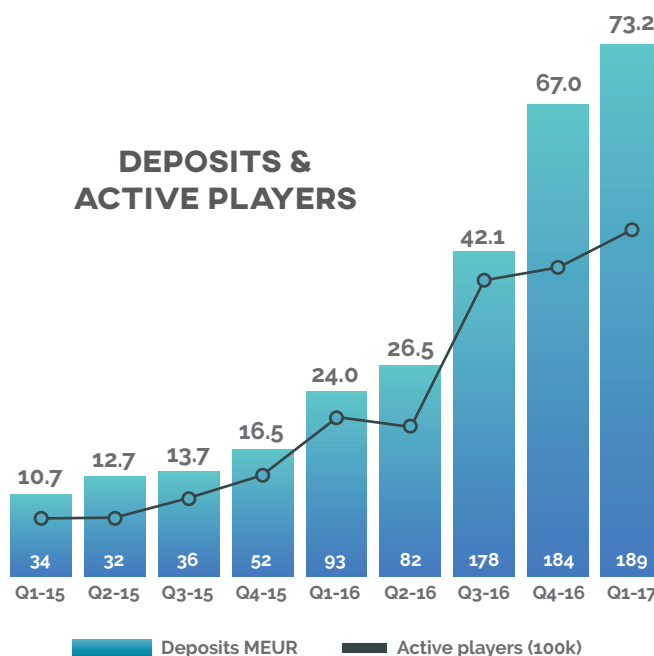
In November, Betit's three brands, SuperLenny.com Thrills.com and Kaboo.com, migrated to GIG's iGamingCloud platform, and all of GIG's six brands now operate on the iGC platform. The technical migration was completed successfully, and, going forward, the Company expects the Betit brands to benefit from the opportunities provided by the iGC platform.

The operational integration has also been completed, and March was a record-strong month for the Betit brands. However, the first two months of the reporting period were somewhat slower, as internal focus was directed towards establishing a new organization and integrating the two companies (GIG and Betit). Thus, it was decided to lower the level of marketing. This caused the reduction in active users for the first quarter in total.

The clear and positive trend in March has been confirmed in April. Going forward, the Company expects the Betit brands to continue the positive performance trend.

TV campaigns continued during the quarter, resulting in total marketing expenses of EUR 11.12 million for B2C in the first quarter, a EUR 3.83 million or 53% increase

## DEPOSITS & ACTIVE PLAYERS



compared with EUR 7.29 million in the fourth quarter (EUR 3.4 million in the first quarter 2016). This represents 60% of B2C revenues in the first quarter, an increase from 41% in the fourth quarter 2016. Of the total marketing expenses, 70% was attributable to up-front payments (incl. TV), while 30% are allocated revenue share agreements. GIG continues to focus on growth for its operators, and prioritizes reinvesting revenues into marketing due to the satisfying return on marketing investments

## B2B

*This segment includes Gaming Innovation Group's cloud-based services (iGamingCloud), sports betting (Betting Cloud) and digital marketing services (Innovation Labs).*

MEUR	Q1 2017	Q1 2016	2016
REVENUE	6.29	2.11	15.61
EBITDA	2.31	0.60	6.87

Revenues for the B2B segment amounted to EUR 6.29 million in the fourth quarter, a 24% increase over the previous quarter, and a 198% increase over the first quarter 2016. First quarter B2B revenues were split with EUR 3.23 million in Innovation Labs and EUR 3.06 million in iGC/ BettingCloud. EBITDA was EUR 2.5 million, equalling an EBITDA margin of 36%. EBITDA was EUR 2.5 million in the previous quarter (50% margin) and EUR 1.1 million in the first quarter 2016 (28% margin). The B2B segment has limited sales costs and marketing expenses.

## CLOUD BASED SERVICES

GIG's cloud-based platform services, iGamingCloud (iGC), continued its progress in the first quarter of 2017. Two new clients went live on the platform during the quarter, and 27 brands operated on the platform in the first quarter, including GIG's own brands. Total database transactions increased by 25%, to 2.4 billion, from 1.9 billion in the fourth quarter 2016.

In the first quarter 2017, three new clients were signed, resulting in a total of 28 external clients signed. Two signed agreements were with European operators that mainly target European markets. These two recurring revenue share based agreements have a combined minimum annualized contract value of EUR 600,000, and both operators are expected to go live in the third quarter 2017.

An agreement was also signed with Vegas Partner Lounge, an international operator that will migrate some of their existing brands to the iGC platform, as well as launch an additional new brand. As part of the agreement, GIG will transfer part of its customer databases from non-core markets to the new brand. GIG's B2C operations will mainly focus on already regulated markets, in addition to non-regulated European markets. This agreement will result in a shift of operating profit from the B2C segment to the B2B segment, and will enable GIG to further focus on core markets. The brands will be migrated in Q2 2017, and the agreement has an estimated contract value for iGC based on current operations of around EUR 1 million per quarter.

Finally, existing iGC clients have signed for three additional brands to be launched in 2017. These signings further confirm the iGC platform's attractiveness, and are considered as positive statements from current users. Including the above agreements, iGC has 28 external clients signed, who will operate 39 brands in total, including GIG's six brands.

GIG is in the process of finalizing a new business intelligence (BI) offering, which the Company deems to be the leading BI proposition offered by an open platform. This new offering will be made available for existing and prospective customers during the second quarter.

iGamingCloud has started the migration of clients from its BMIT servers to a dedicated cloud located in Amsterdam. The new servers will provide improved performance and increased scale, and marks a significant milestone for iGamingCloud. Also, a project to re-architecture the platform has commenced. The expected timeline is 18 months, however improvements will be continuously implemented

over the course of the project. The aim is to create a future-proof architecture, which allows the platform to support the current and future scale and performance requirements of any operator in the iGaming industry.

## BETTING CLOUD

BettingCloud is a seed born on the backbone of the OddsModel acquisition in 2016. OddsModel generates proprietary odds from the ground up, using own proprietary technology. Through BettingCloud, GIG will utilize and expand the OddsModel technology to standalone products available to external clients, as well as to GIG's iGC platform and own brands. BettingCloud has already obtained a Class 4 Remote Gaming License from the Malta Gaming Authority (MGA), and this B2B supplier license allows it to supply its sports betting products to other licensed operators. The first operator that was launched on the BettingCloud license was German facing operator Wetten.com in Q1 2017.

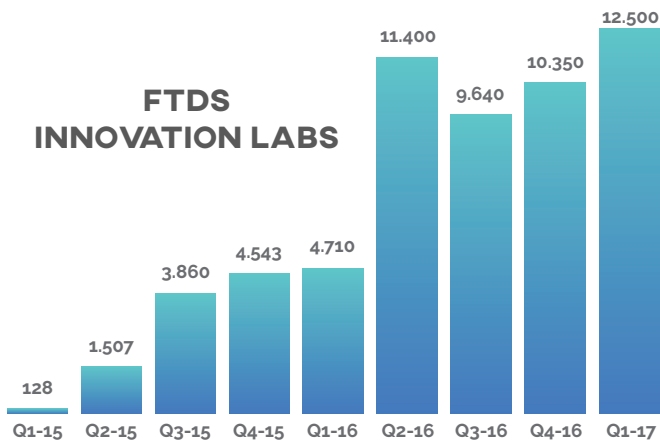
## DIGITAL MARKETING SERVICES

Innovation Labs achieved more than 12,500 new FTDs (First Time Depositor) referred to operators in the first quarter 2017, compared with 4,700 in the first quarter 2016, and 10,350 in the fourth quarter 2016. This is a 21% organic increase quarter over quarter, and an all-time high for this KPI.

Of the new FTDs in the quarter, 18% were referred to GIG's own brands, 20% to iGC clients, and the remaining 62% to other operators.

In the first quarter of 2017, GIG acquired two affiliate networks, including affiliate websites, accounts and associated agreements. The acquisitions were finalized in April, and will significantly strengthen GIG's position in the digital marketing service space of the online gambling sector. The acquired assets complement the already existing affiliate operations in Innovation Labs, and through increased activity and synergies, GIG expects to boost the number of annual FTDs by around 33,500.

The largest of the two acquisitions is the highly regarded affiliate website Casinotopsonline.com, which was acquired for EUR 11.5 million, including all related assets. The annual revenue run-rate of the acquired assets was approximately EUR 3 million, with an EBIT margin in excess of 90%. GIG expects to be able to increase revenues from Casinotopsonline.com by 25% in the short term.



The other acquisition is an international network, for which GIG paid EUR 3.5 million in cash, which amounts to about four times the EBITDA of the network.

Casinotopsonline.com is Innovation Labs' largest acquisition to date, and together, the two acquisitions will significantly strengthen the company's position as a leading affiliate in Europe.

Since the first quarter, Innovation Labs has agreed to acquire a highly regarded affiliate network targeting sportsbook players in the DACH region (Germany, Austria and Switzerland), for a total consideration of EUR 5.7 million. The acquisition includes a network of sportsbook websites, and all related assets, IP and affiliate accounts. The network provides reviews and betting tips to users on upcoming sporting events. The current annual revenue run-rate of the acquired assets is approximately EUR 1.4 million, with a strong EBIT margin of above 85%. Closing is expected in June 2017.

This acquisition further expands Innovation Labs' geographical footprint to include one of the world's largest markets, and significantly strengthens its sportsbetting assets. The network is expected to add a minimum of 5,000 high value FTDS in the first 12 months. The network will be integrated into Innovation Labs' own BI/Data proprietary systems & marketing platforms, providing both technological and operational synergies.

GIG is aiming to build the leading performance marketing company in the industry, by directing more of the traffic from paying users online to GIG's ecosystem. The acquisitions described above enhance Innovation Labs' position outside Scandinavia and in regulated markets, such as the UK. There is a significant long-term potential of generating cost and revenue synergies by including the websites and assets into Innovation Labs' operations.

## STRATEGIC UPDATE & OUTLOOK

The three Betit brands have regained momentum, after a somewhat slow start of the year. March was record-strong, and the trend continues into the second quarter. This confirms the solid rationale in the merger.

Marketing spend has been high in the first quarter. In addition to other marketing channels, such as affiliates and digital, the TV campaigns have been expanded to include more countries and more brands. GIG also plans to launch a new brand in 2017 that will fully utilize the gamification and customer-specific capabilities in the iGC platform. The Company is confident that these initiatives will secure growth and improve performance, and, although operational profits are reinvested into marketing, affecting short-term profits, longer term prospects looks positive for the B2C operators.

iGaming Cloud has added five new brands to the platform so far in 2017, and has signed another six brands, which will go live later in 2017. Activity and revenues are increasing month over month, and with more clients expected to be signed going forward, the Company looks forward to continued revenue growth and increased profits in 2017.

Following the increase in staff, the velocity of development has increased. The goal is to ready the platform for Tier-A customers, by providing a highly scalable architecture, and expanding the features and capabilities offered.

- The Company is in the process of finalizing a new BI offering, which the company deems to be the leading BI proposition offered by an open platform. The new BI offering will be made available for existing and prospective customers from end of Q2 2017.
- The Company has started the migration of clients from its BMIT servers to a dedicated cloud located in Amsterdam. The new servers will provide increased performance and scale, and marks a significant milestone for iGamingCloud.
- A project to re-architecture the platform has commenced. The expected timeline for the project is 18 month, however, improvements will be continuously implemented over the course of the project. The project aims to develop architecture that can support the scale of any operator within the industry.

For the affiliate business in Innovation Labs, the three acquisitions so far in 2017 have significantly strengthened the overall operations, as well as increasing both the

geographical and the vertical footprint. In addition, continued organic growth in referred FTDs and revenue through 2017, is expected.

Through internal development, growth and integration of the Company's business areas, GIG's vision is to make the iGaming industry an open and connected ecosystem, for the benefit of all. The recent acquisitions contribute to the realization of this strategy, benefiting all parties engaged in expanding the GIG iGaming ecosystem.

### Outlook

The Group remains optimistic regarding its strategic, operational and financial development for the remainder of 2017. The Company expects its revenue growth to continue, and is confident that 2017 revenues will exceed the guided amount of EUR 120 million, exclusive of revenues from acquired operations.

## FINANCIAL PERFORMANCE

Consolidated revenues for the Company amounted to EUR 23.07 million in the first quarter of 2017, a sequential organic increase of 7% from the fourth quarter of 2016 (EUR 21.49 million), and an increase of 193%, compared with the first quarter of 2016 (EUR 7.89 million). Revenues comprise income from the Company's gaming sites, from affiliate marketing in Innovation Labs, from B2B customers on the iGC platform, and sport trading.

Cost of sales include fees to game and payment suppliers, as well as gaming taxes and other variable expenses. In the first quarter 2017, cost of sales amounted to EUR 4.37 million, compared with EUR 4.05 in fourth quarter 2016, and EUR 1.29 in first quarter 2016. Gross profit for the group amounted to EUR 18.71 million during the first quarter 2017, a 7% increase over EUR 17.44 million in the previous quarter, and a 184% increase over first quarter of last year (EUR 6.59 million). Gross profit margin for the quarter came in at 81%, compared with 81% in fourth quarter 2016, and 72% in the corresponding quarter last year.

Marketing expenses were EUR 10.93 million in first quarter 2017, a 56% increase from EUR 7.01 million in third quarter 2016 (EUR 3.34 million in first quarter 2016). Marketing expenses' share of total revenues was 47% during the period, compared with 34% in the previous quarter, and 42% in first quarter 2016. Marketing expenses are mainly associated with the company's B2C operations, and comprise both up-front payments such as TV campaigns and CPA (cost per acquisition), and affiliate commissions. Due to extensive TV campaigns on behalf of the Company's brands, marketing expenses have increased

during the recent 12 months. TV campaigns will be continued in several markets in 2017.

Other operating expenses amounted to EUR 8.13 million in first quarter 2017, compared with EUR 6.57 million in fourth quarter 2016, and EUR 3.33 million in first quarter 2016. Operating expenses are mainly related to salaries, rent and general corporate expenses, and the increase is a result of increased activity, investments into future products, and an increase in the number of employees over the quarter from 392 to 422, which includes full time consultants. While absolute operational expenses are expected to increase, the Company expects the ratio, proportionate to revenues, to decrease over the course of the next three quarters.

EBITDA for the first quarter 2017 was EUR -0.35 million, compared with EUR 3.86 million in fourth quarter 2016, and EUR -0.07 million in first quarter 2016. The reduction in EBITDA from the previous quarter is driven by a similar increase in up-front marketing expenses, and expensed investments in future-oriented products and technology

Depreciation and amortization amounted to EUR 1.24 million in first quarter 2017, compared with EUR 1.07 million in fourth quarter 2016, and EUR 0.35 million in first quarter 2016, leaving an EBIT of EUR -1.59 million in first quarter 2017, compared with EUR 2.79 in fourth quarter 2016, and EUR -0.43 in first quarter 2016.

Net other income was negative by EUR 0.86 million in first quarter 2017, and include interest on loans and the new bond and foreign exchange gains, mainly as a result of the weakening of the NOK versus EUR. Net other income was EUR -0.57 in fourth quarter 2016, and EUR 0.15 million in first quarter 2016. A EUR 1.62 million unrealized gain on derivative assets was included in the first quarter 2016. The net result for the first quarter amounted to EUR -2.46 million, compared with EUR 1.98 million in fourth quarter 2016, and EUR 1.04 million in first quarter 2016.

## CASH FLOW

The consolidated net cash flow from operational activities amounted to EUR 6.06 million for the first quarter 2017 (EUR -1.60 million in first quarter 2016).

The net cash flow from investments was EUR -1.95 million in first quarter 2017, (EUR -0.07 million in first quarter 2016). The net cash flow from financing activities was EUR 41.02 million in first quarter 2017 (EUR 3.80 million in first quarter 2016).



Cash and cash equivalents increased by EUR 45.28 million in first quarter 2017 (EUR 2.22 million increase in first quarter 2016). The increase includes net proceeds from the bond financing of EUR 41.02 million.

As of 31 March 2017, holdings of cash and cash equivalents amounted to EUR 51.31 million, compared with EUR 4.31 million as of 31 March 2016. Cash holdings include EUR 41.02 million from the bond issue held in escrow as of 31 March 2017, and EUR 5.18 million in fiduciary capacity, which is customer monies, which use is restricted, in accordance with the Remote Gaming Regulations.

## FINANCIAL POSITION

As of 31 March 2017, GIG had total assets of EUR 170.6 million, and shareholders' equity was EUR 103.1 (60%).

Interest-bearing debt as at 31 March 2017 was EUR 47.0 million, comprising the bond (EUR 41.1 million), credit facilities (EUR 2.6 million) and short-term loans (EUR 3.3 million), compared with EUR 3.1 million as at 31 March 2016. The credit facilities and short-term loans were repaid in April 2017.

## SHAREHOLDER MATTERS

During the first quarter, GIG's share price varied between NOK 2.94 and NOK 5.49. The closing price at 31 March 2017 was NOK 4.89. At the close of the previous quarter, the share price was NOK 3.10.

Employees holding options exercised their rights to buy 600,000 shares in the Company at share prices of NOK 1.30 and NOK 1.50. GIG transferred part of its treasury shares to the employees, decreasing the Company's holding of treasury shares from 7,865,000 to 7,265,000.

In February, the Board approved an option plan for employees for up to 20,000,000 shares. Options granted under the plan will have a six-year term, with 20% vesting after one year, 30% after two years, and 50% after three years. A total of 10,225,000 options have been granted under this plan. The exercise price is NOK 4.00 per share, and the options are exercisable with 20% after 1 January 2018, 30% after 1 January 2019, and 50% after 1 January 2020. All options expire on 31 December 2022, and are conditional upon employment at time of exercise. The Board also granted extensions to existing outstanding options to employees, so that they expire three years after the last vesting date. The reason for this is to have coinciding terms for all employee options, and to

provide key employees further incentives to stay with the Company.

As of 31 March 2017, the total number of shares outstanding in GIG was 818,556,266 (par value USD 0.10), divided between approximately 3,600 shareholders. 19,445,000 options were outstanding.

In the Share Purchase Agreement from February 2015 between the Company and the previous shareholders of Gaming Innovation Group Ltd., the sellers are entitled to a variable consideration of up to 125 million earn-out shares provided that the Company reaches a combined revenue of EUR 63 million or more in 2015 and 2016. The earn-out shares will be determined upon the final audited accounts based on the assumptions agreed. For the year 2015, 47.9 million earn-out shares were issued in May 2016. Given the Company's preliminary and unaudited financial statements for 2016, the earn-out target has been achieved, and the remaining 77.1 million earn-out shares will be issued in Q2 2017.

The annual meeting of shareholders will be held in Oslo, Norway on 23 May 2017.

# GAMING INNOVATION GROUP INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

EUR - UNAUDITED			
	Q1 2017	Q1 2016	2016
<b>Revenues</b>	23 074 299	7 885 975	53 604 995
Cost of sales	4 366 592	1 294 254	9 284 807
<b>Gross profit</b>	18 707 707	6 591 721	44 320 188
<b>Operating expenses</b>			
Marketing expenses - revenue share	3 326 751	1 269 064	7 874 744
Marketing expenses - other	7 603 291	2 069 684	11 218 789
Other operating expenses	8 128 585	3 325 063	19 410 802
<b>Total operating expenses</b>	19 058 627	6 663 811	38 504 335
<b>EBITDA</b>	-350 920	-72 090	5 815 853
Depreciation & amortization	1 239 432	354 962	3 046 246
<b>EBIT</b>	-1 590 352	-427 052	2 769 607
Other income (expense)	-861 798	-157 023	-1 349 374
Unrealized gain on derivative asset	-	1 621 715	1 337 674
<b>Result before income taxes</b>	-2 452 150	1 037 640	2 757 907
Tax income/(expense)	-10 008	-	-363 842
<b>Net results</b>	-2 462 158	1 037 640	2 394 065
Exchange differences on translation of foreign operations	152 748	-35 830	-199 850
Fair value movement in available for sale investment	-1 733	125 702	-69 459
<b>Total comprehensive income (loss)</b>	-2 311 143	1 127 512	2 124 756
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the Company	-2 310 479	1 169 913	2 237 893
Non-controlling interests	-664	-42 401	-113 137
<b>Total comprehensive income (loss)</b>	-2 311 143	1 127 512	2 124 756
<b>Earnings per share attributable to GIG Inc:</b>			
Basic earnings (losses) per share	-0.00	0.00	0.00
Diluted earnings (losses) per share	-0.00	0.00	0.00
Weighted average shares outstanding	887 791 266	487 705 952	629 595 518
effect of dilutive shares	-	-	2 513 622
Diluted weighted average shares outstanding	887 791 266	487 705 952	632 109 140

# GAMING INNOVATION GROUP INC.

## CONDENSED STATEMENTS OF FINANCIAL POSITION

EUR - UNAUDITED

	31 MAR 2017	31 MAR 2016	31 DEC 2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Goodwill	64 118 751	15 690 914	63 954 856
Intangible assets	41 307 539	11 609 616	41 204 449
Deposits and other non-current assets	1 650 855	1 338 469	2 433 986
<b>Total non-current assets</b>	<b>107 077 145</b>	<b>28 638 999</b>	<b>107 593 291</b>
<b>CURRENT ASSETS:</b>			
Prepaid and other current assets	168 970	83 887	147 792
Derivative assets	-	2 987 495	-
Trade and other receivables	11 997 300	5 610 175	12 532 193
Cash and cash equivalents	51 312 276	4 309 786	6 035 177
<b>Total current assets</b>	<b>63 478 546</b>	<b>12 991 343</b>	<b>18 715 162</b>
<b>TOTAL ASSETS</b>	<b>170 555 691</b>	<b>41 630 342</b>	<b>126 308 453</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	71 639 353	45 556 400	71 639 353
Share premium/reserves	34 288 120	-10 900 440	33 330 668
Retained earnings (deficit)	-2 849 823	-1 185 760	198 879
<b>Total equity attributable to GiG Inc.</b>	<b>103 077 650</b>	<b>33 470 200</b>	<b>105 168 900</b>
Non-controlling interests	6 620	-145 369	5 957
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>103 084 270</b>	<b>33 324 831</b>	<b>105 174 857</b>
<b>LIABILITIES:</b>			
Trade payables and accrued expenses	20 443 982	5 174 204	15 065 681
Short term loans	3 324 105	1 549 086	3 406 994
<b>TOTAL CURRENT LIABILITIES</b>	<b>23 768 087</b>	<b>6 723 290</b>	<b>18 472 675</b>
Long term loans	43 703 334	1 582 221	2 660 921
<b>TOTAL LIABILITIES</b>	<b>67 471 421</b>	<b>8 305 511</b>	<b>21 133 596</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>170 555 691</b>	<b>41 630 342</b>	<b>126 308 453</b>
<b>CONDENSED STATEMENTS OF CHANGES IN EQUITY:</b>			
<b>EQUITY AT BEGINNING OF PERIOD</b>	<b>28 240 683</b>	<b>2 703 766</b>	<b>2 703 766</b>
Issuance of treasury shares in repayment of debt and purchase of affiliates	105 174 857	27 846 472	27 846 472
Fair value movement in available for sale investments	-	4 487 692	77 778 699
Share compensation expense/adjustment	-1 733	125 702	125 702
Exchange difference arising from prior year adjustment	237 408	-136 845	-66 777
Exchange difference arising from prior year adjustment	-664	-42 401	-113 137
Unrealized gain on derivative assets	-16 852	-	-
Derivatives	-	-	-2 703 454
Exchange differences on translation of foreign operations	152 748	-35 830	-199 850
Net results	-2 461 494	1 080 041	2 507 202
<b>EQUITY AT END OF PERIOD</b>	<b>103 084 270</b>	<b>33 324 831</b>	<b>105 174 857</b>

# GAMING INNOVATION GROUP INC.

## CONDENSED STATEMENTS OF CASH FLOWS

EUR - UNAUDITED			
	Q1 2017	Q1 2016	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Results before income taxes	-2 452 150	1 037 640	2 757 907
Adjustments to reconcile profit before tax to net cash flow:			
Tax expense	-10 008	-	-363 842
Depreciation and amortization	1 239 432	354 962	3 046 246
Unrealized gain (loss) on derivative assets	-	-1 621 715	-1 337 674
Other adjustments for non-cash items and changes in operating assets and liabilities	7 283 540	-1 374 315	-1 881 354
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>6 060 814</b>	<b>-1 603 428</b>	<b>2 221 283</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash acquired on acquisition of a subsidiary	-	-	1 454 670
Purchases of intangible assets	-1 243 137	-	-1 195 965
Purchases of property, plant and equipment	-707 921	-24 982	-464 260
Purchase of affiliates	-	-	-4 855 196
Cash flow from other investing activities	-	-48 226	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>-1 951 058</b>	<b>-73 208</b>	<b>-5 060 751</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from Issuance of shares	-	4 487 692	4 557 084
Proceeds from bond issue	41 016 328	-	-
Proceeds from loans	-	1 589 932	6 418 959
Repayment of loans	-	-2 031 391	-3 923 810
Cash flow from other investing activities	-	-241 404	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>41 016 328</b>	<b>3 804 829</b>	<b>7 052 233</b>
Translation loss	152 748	-35 830	-199 850
Fair value movements	-1 733	125 702	-69 459
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>45 277 099</b>	<b>2 218 065</b>	<b>3 943 456</b>
Cash and cash equivalents - beginning	6 035 177	2 091 721	2 091 721
<b>CASH AND CASH EQUIVALENTS - END</b>	<b>51 312 276</b>	<b>4 309 786</b>	<b>6 035 177</b>

# GAMING INNOVATION GROUP INC.

## SELECTED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDING 31 MARCH 2017 AND 2016

### 1. GENERAL INFORMATION

Gaming Innovation Group 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.

The Company's principal activity is to provide a platform for and facilitate internet gambling, gaming and betting.

The condensed consolidated financial statements of the Company as at and for the periods ended 31 March 2017 and 2016 are comprised of Limited, and its accounting basis subsidiaries: GIG, Candid Gaming Ltd ("Candid") and Gridmanager Ltd ("Grid") (corporations registered in Malta), MT Secure Trade Ltd, ("Secure") Innovation Labs Ltd, ("Labs") iGaming Cloud Ltd., ("IGC") BettingCloud Ltd. (formerly Gaming Exchange Ltd.) ("Exchange"), Zecure Gaming Limited (Zecure) (corporations registered in Malta), Spaseeba AS ("Spaseeba") and and OddsmodelAS ("OM") (corporations 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), Betit Holdings Ltd. (a corporation registered in Malta) and its subsidiaries ("Betit"), Betit Operations Ltd., Haus of Lenny Ltd. (corporations registered in Malta), Mavrix Activities Ltd., Mavrix 5x5 Ltd., Mavrix Services Ltd. Mavrix Promotions Ltd. Mavrix Holding Ltd. (corporations registered in Gibraltar), Mavrix Technologies SL (a corporation registered in Spain) and Pronzo Entertainment B.V. (a corporation registered in Curacao).

### 2. BASIS OF PRESENTATION

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 31 March 2017 and 2016 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 three months of 2017 and the full year of operations of 2016 of Gaming Innovation Group Inc. and subsidiaries, Oddsmodel from May 2016, 100% of activities of IGC from September 2016 (previously owned 90%) and four months of activities of Betit from September 2016.

The Company's condensed 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 and Norwegian Kroner 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 condensed 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 years ended 31 March 2017 and 2016 are consistent with those used in preparing the Company's consolidated financial statements as of and for the year ended 31 December 2016.

#### 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.

#### 4. SEGMENT INFORMATION

Company operates two segments, the Business to Consumer ("B2C") segment which includes the gaming operations directed towards end users, and the Business to Business ("B2B") segment which includes its IGC platform offering, sports trading and affiliate marketing. Previous periods have been restated accordingly. Segment information relating to balance sheet and geographical sales will be disclosed annually in the annual report.

Q1 2017 (EUR 1000)	B2C	B2B	ELIMINATIONS	TOTAL
REVENUE	18,493	6,292	-1,711	23,074
COST OF SALES	5,585	57	-1,276	4,367
MARKETING COST	11,123	242	-435	10,930
EBITDA	-2,677	2,331	-5	-351
EBIT	-2,889	1,304	-5	-1,590

Q1 2016 (EUR 1000)	B2C	B2B	ELIMINATION	TOTAL
REVENUE	6,664	2,113	-891	7,886
COST OF SALES	2,075	-	-781	1,294
MARKETING COST	3,368	80	-109	3,339
EBITDA	-667	595	-	-72
EBIT	-728	299	-	-427

2016 (EUR 1000)	B2C	B2B	ELIMINATIONS	TOTAL
REVENUE	42,397	15,613	-4,405	53,605
COST OF SALES	12,146	293	-3,154	9,285
MARKETING COST	19,795	549	-1,250	19,094
EBITDA	-1,050	6,866	-	5,816
EBIT	-3,535	6,305	-	2,770

#### 5. 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 year ended 31 December 2016, the Company had 9,320,000 options outstanding.

#### 6. CHANGES IN EQUITY

In 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 of which EUR 1,260,000 was settled through the issuance of 4,336,314 new shares.

In May 2016, the Company completed the acquisition of affiliate network assets from Magenti Media for a total consideration of SEK 47,500,000 of which EUR 5,075,437 was settled through the issuance of 8,960,000 new shares.

Also, in May 2016, the Company completed the acquisition of OddsModelAS, a sports betting technology company for a total consideration of EUR 8,585,700 which was settled through issuance of 21,739,000 new shares.

The Company issued 4,720,000 options in 2016 with various expiration dates in 2018 and 2020. As of 31 December 2016 the Company has 9,320,000 options issued and outstanding.

Pursuant to a special shareholders' meeting on 31 August 2016, the Company's number of authorized shares increased from 750,000,000 to 950,000,000 each with a par value of \$0.10.

In September 2016, the Company completed the acquisition of the gaming company Betit Holdings Ltd. and the reacquisition of the 10% minority interest in iGamingCloud for a total consideration of EUR 54,376,945 and EUR 20,014,967, respectively, which were settled through issuance of 210,000,000 new shares.

As of 31 March 2017, the Company owned 7,865,000 treasury shares.

## 7. LOANS PAYABLE SHAREHOLDERS

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% p.a. and maturity on 1 January 2018 and (b) NOK 9,700,000 with a shareholder with an interest rate of 10% p.a. due on demand at monthly intervals, that was increased to NOK 19,200,000 in July 2016. These two loan facilities have been repaid in April 2017.

In March and May 2016, the Company entered into loan agreements with shareholders 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. In December 2016, this loan facility was repaid by NOK and at the same time increased by NOK 13,000,000 for a total of NOK 31,500,000 as of 31 December 2016, and maturity was extended for the loans maturing 30 June 2017. Close associates of Helge Nielsen and Jon Skabo, board members of the Company, participate in the loan with NOK 3,500,000 and NOK 1,500,000 respectively. These loan agreements have been repaid in April 2017.

Short-term loans outstanding balances at 31 March 2017 and 2016 were EUR 3,324,105 and 1,549,086, respectively with accrued interest of EUR 80,711 and EUR 4,566, respectively. Long term loans outstanding balances at 31 March 2017 and 2016 were EUR 2,642,989 and EUR 1,582,221, respectively with accrued interest of EUR 51,597 and EUR 17,443, respectively. The weakening of the NOK towards the EUR during the quarter has resulted in a foreign exchange gain of approximately EUR 76,000.

## 8. SENIOR SECURED BOND

In February 2017, GIG successfully completed the issuance of a SEK 400 million senior secured bond in the Nordic bond market, with a SEK 1,250 million borrowing limit and fixed interest of 7% per annum. Net proceeds from the bond issue will primarily be used for acquisition of affiliate markets, paying off existing debt in full, as well as towards general corporation purposes. The bond was drawn on 6 March 2017 and outstanding balance at 31 March 2017 was EUR 41,060,345 with accrued interest of EUR 214,844.

Also in February 2017, the Company agreed to purchase affiliate assets for a total consideration of USD 3,700,000, and in March 2017, the Company entered into an agreement to purchase affiliate website Casinotopsonline.com for a consideration of EUR 11.5 million. Both acquisitions have been finalized in April 2017 and have been paid with proceeds from the senior secured bond.

## 9. RELATED PARTY TRANSACTIONS

There were no other material related parties' transactions in the fourth quarter of 2016 than reported above in Note 7.

## 10. SUBSEQUENT EVENTS

There have been no material subsequent events after 31 December 2017.

## 11. ALTERNATIVE PERFORMANCE MEASURES

Certain financial measures and ratios related thereto in this interim report are not specifically defined under IFRS or any other generally accepted accounting principles. These measures are presented in this report because they are among the measures used by management and they are frequently used by other interested parties for valuation purposes. In addition, the Company provides information on certain costs in the income statement, as these are deemed to be significant from an industry perspective.

Gross profit: Operating revenue less cost of sales

Gross margin: Gross margin in percent of revenues

EBIT: Operating profit

EBITDA: Operating profit + depreciation and amortization

Interest bearing debt: Other long-term debt and short-term borrowings

Active customers: A customer having played with money deposited or with winnings from free spins or bonuses during the three month period

Deposits: Money deposited in the customer accounts

First Time Depositor (FTD): A first time depositor is a person who places, wagers or deposits an amount of money for the very first time



**GAMING INNOVATION GROUP**

**MALTA**

GB Buildings, Penthouse  
Watar 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)