



**GiG**

**Q1 2018**

# **INTERIM REPORT**

**3 MAY 2018**

[gig.com](http://gig.com)

# GAMING INNOVATION GROUP INC.

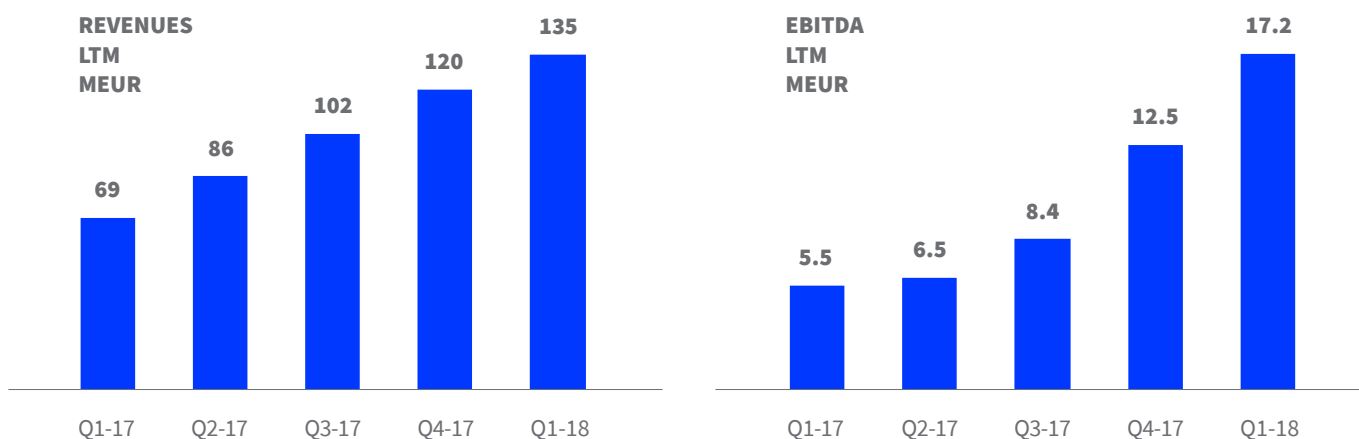
## Q1 2018 INTERIM REPORT

### Key Figures

MEUR	Q1 2018	Q1 2017	2017
REVENUE	37.3	23.1	120.4
GROSS PROFIT	30.5	18.7	99.9
MARKETING EXPENSES	11.9	10.9	47.1
OPERATING EXPENSES	14.3	8.1	40.3
EBITDA	4.3	-0.4	12.5

### HIGHLIGHTS

- Revenues were EUR 37.2 million (23.1), a 62% increase over Q1 2017, whereof 46% was organic
- EBITDA was EUR 4.3 million, compared to EUR -0.4 million in Q1 2017
- Revenues for the B2B segment amounted to EUR 15.3 million in the first quarter 2018, a 143% increase over the first quarter 2017. EBITDA was EUR 4.2 million, a 78% increase over Q1 2017
- GiG is entering the largest gambling vertical - Sports, with cutting edge enterprise solution in May. 'GiG Sports' features the full range of products and services needed to operate an online Sportsbook
- Sports betting licence obtained in Germany through the acquisition of Nordbet, paving way for a launch in the second largest sports betting market in Europe
- As announced in the Q4 report, GiG Core signed the prestigious contract of Hard Rock International in February
- GiG's gaming segment reach profitability following 37% growth (61% when adjusting for markets closed after Q1 2017). EBITDA increased by EUR 2.8 million to EUR 0.1 million.
- The Board has started the process towards a possible listing at NASDAQ Stockholm





# LETTER FROM THE CEO

Dear Shareholders,

I am very pleased to present yet another strong quarter for GiG. Our 12 months rolling revenues have reached €134m and an EBITDA of €17.2m. The similar figures last year were €69m and €5.5m. It comes on the back of a 62% annual revenue growth, which makes Q1 2018 one of our strongest quarters ever, only beaten by the remarkably strong Q4 of 2017.

I am especially proud as our recent run of strong results have been achieved whilst the company has faced a heightened period of regulatory pressure, at the same time, maintaining an ever increasing pace of innovation and expansion in the value chain.

In time of writing, we are preparing to launch our full suite of enterprise software for Sports betting after nearly 30 months of development, on Rizk.Com, ahead of the FIFA World Cup 2018. GiG Sports will see our company achieving full control of the sports betting value chain through proprietary products. It is built on the most modern tech architecture and pave the way for upgrades to scalability, performance and cost control in which we can achieve across our entire technological architecture.

Adjusted for closed markets, our Gaming vertical grew 68% in revenues on a 48% marketing delta, aligning us with best performing peers. The segment reached its first profitable quarter despite increased regulatory burden, and the decision to cut all fees on payments for End Users. In a regulated future, trust, user experience and product innovation will be the main drivers for brands. We are now well positioned for a regulated future.

Our Media business was also affected in Q1. Our temporary suspension of services in the Dutch market pending the government's process to issue the signalled licensing framework, turned what would have been an all time high quarter, to a very solid one.

GiG Core saw NGR from operators across it network increase with 4.5% in Q1 whilst database transactions in the software grew by 17%. With the ongoing increase in activity, we decided to lower fees to fuel the growth of our clients and share the bill of regulation. Therefore, we were set back a quarter in terms of revenues and profits. However, we are continuing to see a strong underlying growth whilst we are getting ready to launch our first mega brand on the platform, Hard Rock, into the first US Market - New Jersey.

GiG is progressing well on its later endeavour: the launch of a proprietary casino games studio. With the tech stack in place, we are well underway with the development of our first three games. Between 6 to 8 games will be launched on our own brands during the year and sold to the wider industry. It is highly exciting to see this development, which I think will be a major source of income for GiG in the long run.

I would like to thank the shareholder fellowship for your support in GiG's vision: To make iGaming fair and fun for all. We embarked on a journey to own the entire value chain in iGaming. We have had to invest significantly to arrive there, and with the launch of Games in 2018, we will have completed the journey, just in time for the major wave of regulation to hit Europe. This is putting us in an excellent position for the years to come.

**Robin Reed**

CEO

# GAMING INNOVATION GROUP

## Q1 2018 INTERIM REPORT

### FINANCIAL HIGHLIGHTS

Consolidated revenues for Gaming Innovation Group Inc. (GiG) ended at EUR 37.3 million in the first quarter 2018. This is a 62% increase from the first quarter 2017 (EUR 23.1 million), and a 6% decline from EUR 39.9 million in the previous quarter. The fourth quarter 2017 included a EUR 2.0 million one-off service and settle fee, and excluding this, revenues declined 1.6% quarter over quarter growth.

Gross profit for the group was EUR 30.5 million in the first quarter 2018, a 63% increase over first quarter last year (EUR 18.7 million). Gross profit margin for the quarter came in at 82%, compared with 81% in the corresponding quarter last year.

Marketing expenses were EUR 11.9 million in the first quarter 2018, a 9% increase from EUR 10.9 million in the first quarter 2017. Marketing expenses' share of total revenues was 32% in the first quarter 2018, down from 47% in the first quarter 2017. Other operating expenses amounted to EUR 14.3 million in the quarter, a 76% increase from EUR 8.1 million in first quarter 2017. As part of the restructuring of the organisation to "ONE GiG" and the annual conference, the Company carried one-off costs of around EUR 0.6 million.

EBITDA for the first quarter 2018 was EUR 4.3 million, an improvement from EUR -0.4 million in the first quarter 2017. In Q4 2017, EBITDA was EUR 7.9 million.

Depreciation and amortisation amounted to EUR 4.7 million in the first quarter 2018, compared with EUR 1.2 million in the first quarter 2017. Depreciation and amortisation expenses are mainly related to amortisation intangible assets from the affiliate acquisitions completed over the last three years, and capitalised investments in core technology.

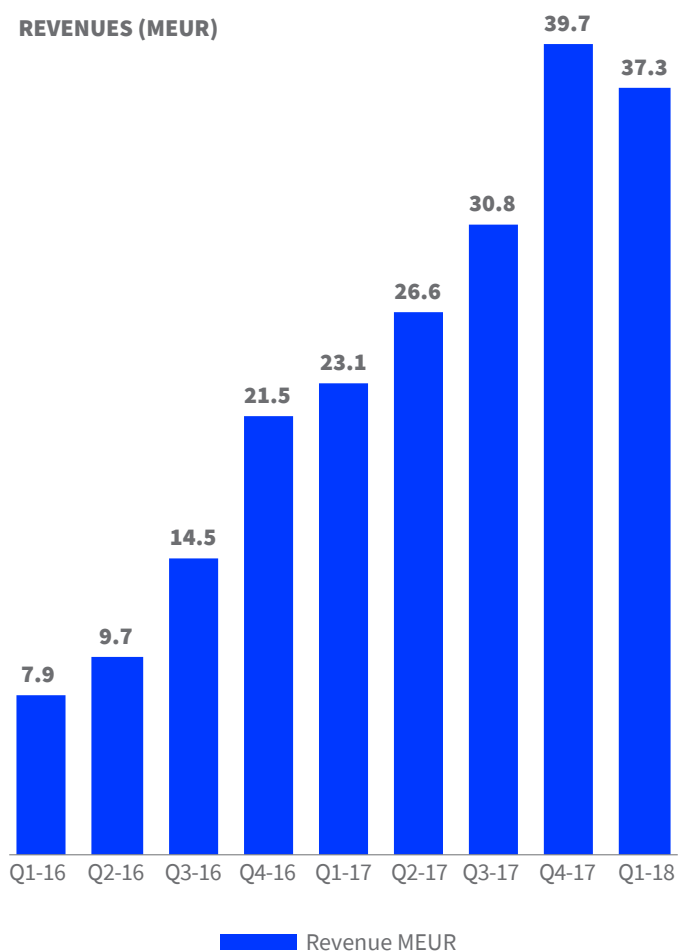
EBIT came in at EUR -0.4 million in the quarter, an improvement from EUR -1.6 in the first quarter 2017.

Net other income was EUR 1.2 million in the first quarter 2018, compared to EUR -0.9 in the first quarter 2017. The net result for the first quarter was EUR 0.9 million, up from EUR -2.5 million in the first quarter 2017.

### OPERATIONAL HIGHLIGHTS

As mentioned in the Q4 report, GiG Core had a major breakthrough signing the highly competitive contract of one of the world's most recognisable brands - Hard Rock, in February. GiG will service the large leisure group's digital gaming division with platform and in collaboration with the Hard Rock team, design

### REVENUES (MEUR)



and develop the front end solutions for casino. The development of Hard Rock's online website is progressing according to plan and launch is expected later this year. The signing of Hard Rock shows the competitiveness and strength of GiG's platform.

Through the partnership with Hard Rock, GiG is entering the regulated US market and submitted an application for the certification of the platform with the New Jersey Gaming Authority in 2017, which is also progressing according to plan. This shows the ambition of the Company's international growth in regulated markets.

GiG acquired the German sports betting company Nordbet in March, in order to obtain a sports betting licence in Schleswig-Holstein, a state in Germany. The licence is valid until February 2019, with potential for further extension. This acquisition further strengthens GiG's sports offering in the important German market in time for the FIFA World Cup in June 2018. Germany

is a significant market for sports betting, being the second largest iGaming market in Europe with an annual gross turnover in online sports betting of EUR5.3 billion in 2017. The licence will facilitate integrations with larger payment and marketing providers and makes its offering more accessible to the end users. The purchase price was EUR 500,000, Nordbet is an inactive company with the licence as its only asset.

GiG entered a partnership with the Hong Kong based game studio D-Tech, where GiG now holds 36% of the Company. As part of the transaction, GiG will receive eight exclusive online games. D-Tech is a game studio based in Hong Kong and China, with local teams that understand the requirements of Asian players. This investment supports GiG in building games for Asian players based in Europe.

D-Tech has a highly experienced international management team and strong industry backing through an agreement with one of the largest gambling companies in the world. The company builds games for third party clients in both online and land-based verticals. D-Tech is using proven mathematical models with an original approach, enriching sound and cutting edge mobile interface. This investment will further strength the build of entertaining games to the end user.

In 2017 and 2018, the Company has been exposed to an exceptional number of substantial new regulations such as the fourth Anti-Money Laundering Directive, the General Data Protection Regulation and the Revised Payment Service Directive, each demanding significant workload. This has required large resource to be temporarily reassigned from other projects this quarter to support compliance with these key regulations. GiG is well advanced in supporting these compliance requirements and anticipate this drain on resource to ease as the year progresses.

As from 1 April 2018, CEO Robin Reed also acts as interim Chief Marketing Officer (CMO), this role was previously held by Tomas Bäckman, who left the Company on 31 March 2018.

## EVENTS AFTER Q1

The Board has started the process towards a possible listing at NASDAQ Stockholm (Stockholmsbörsen) and eventually delist from the Oslo Stock Exchange (Oslo Børs). The rationale is to move to Stockholm as it is the hub and centre of excellence for the iGaming industry. This will put the Company closer to its peer group with increased visibility in the market.

No action is required of existing shareholders at this stage. Clear information on the whole process including timeline, information to all shareholders and the rest of the market, will be communicated in a timely manner as the plan progresses.

## GiG 'S NEW SPORTSBOOK SERVICES – GiG SPORTS

GiG Sports launches its new proprietary sportsbook offering, ahead of the 2018 FIFA World Cup. Its flexibility is unlimited, empowering the operator to individually tailor its front end look and feel, risk management, number of events and user experience, as well as odds and marketing features. Advanced mapping of individual player behaviour will enhance the user experience for the end user and boost targeting and marketing reach for the operator. GiG Sports is built on cutting edge multi-tenant micro services based architecture yielding massive scalability and supreme performance, at a low cost base.

**GiG Sports** will connect everything into one eco-system, where multiple odds providers and services will be integrated and where operators can choose to use the full service or part of the offering to match their specific, customised needs.

**GiG Sports Connect** is a service featuring in-house odds containing both Pre-match, Live betting and Futures, generated from probabilities based on data in GiG 's proprietary models. GiG odds cover all major football leagues, accounting for more than 50% of bets in GiG Core markets and tennis is set to launch shortly. The use of big data and computer algorithms to generate odds, is the most scalable, robust and cost efficient way to create odds yielding GiG a competitive advantage over more manual based competitors.

In January, GiG signed a long term agreement with Perform Group – the leading digital sports content and media group – where Perform will provide GiG with official data from international sports events. GiG will use these data to offer odds services to its brands and other B2B clients on a revenue share basis.

**GiG Trader** is a full suite of trading and risk management tools and services with local knowledge and presence, which can be integrated with GiG Sports Connect or any third party odds service. It includes all the features, tools and options traders need to run a risk and trading operation for any sportsbook.

**GiG Goal** is a brand new mobile first middle-ware and front end service based on advanced personalisation algorithms. It replaces the current sportsbook at GiG's consumer brands and will be launched as a new vertical on Rizk.com. The service will be sold to operators as a modern and scalable turnkey front end solution for sportsbooks, available from August 2018. The solution features a Software Development Kit allowing clients to customise the front end to their need.

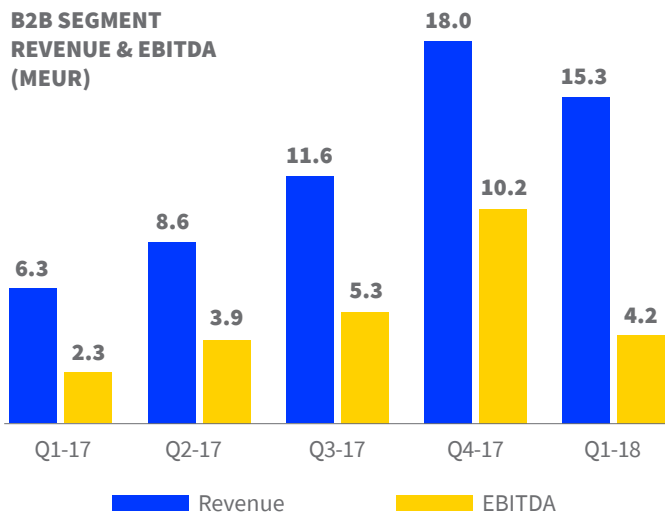
# OPERATIONAL REVIEW

## SERVICES (B2B)

This segment includes Gaming Innovation Group’s lead generation (GiG Media), cloud-based services (GiG Core) and sports betting and games services (GiG Sports and GiG Games).

MEUR	Q1 2018	Q1 2017	2017
REVENUE	15.3	6.3	49.1
EBITDA	4.2	2.3	21.5

Revenues for the B2B segment amounted to EUR 15.3 million in the first quarter 2018, a 143% increase over the first quarter 2017 whereof 74% was organic. EBITDA was EUR 4.2 million in the quarter with an EBITDA margin of 27%, an increase from EBITDA of EUR 2.3 million in the first quarter 2017 (50% margin).



## GiG MEDIA

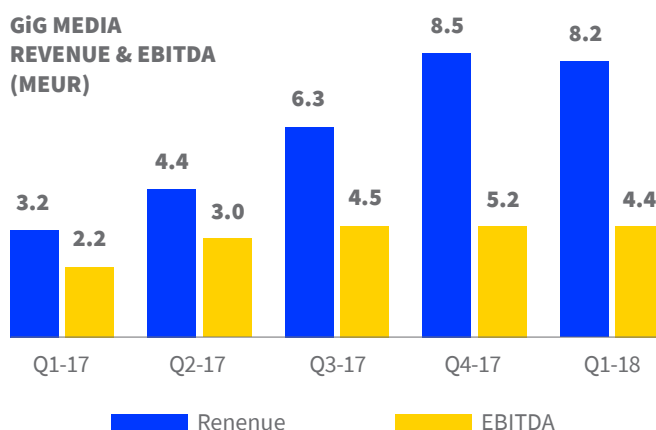
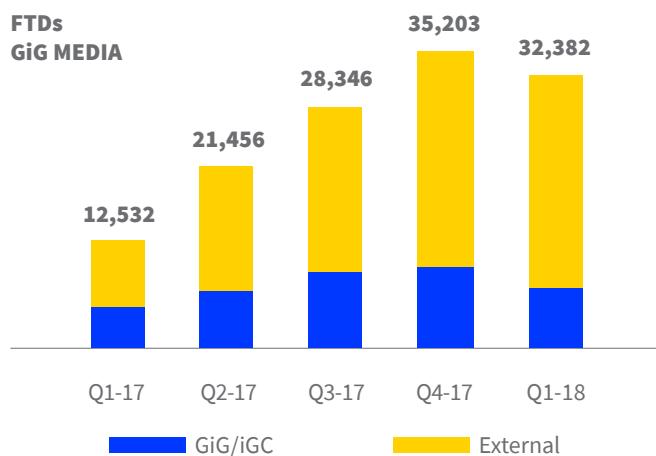
GiG Media referred 32,382 new FTDs (First Time Depositors) to operators in the first quarter 2018, 158% increase from 12,532 in the first quarter 2017. Of the new FTDs in the quarter, 10% was referred to GiG’s own brands, 11% to GiG Core clients and the remaining 79% to other operators due to increased demand and competitive landscape for traffic.

Revenue was EUR 8.2 million in GiG Media in the first quarter 2018, 155% increase over EUR 3.2 million in the first quarter 2017. Organic growth was 31% from the first quarter 2017. As mentioned in the Q4-2017 report, GiG has decided to move all advertisement from Dutch facing affiliate websites in 2018, which effected revenues in the quarter. Also, one of the paid media clients paused its marketing in the first quarter due to compliance issues. The combined effect in the first quarter was approximately EUR 0.6 million.

EBITDA for the quarter was EUR 4.4 million with an EBITDA margin of 53%, compared to EUR 2.2 million (68%) in the first quarter 2017.

68% of revenues in the first quarter came from revenue share (61% in the first quarter 2017), 14% from CPA (31%) and 18% from listing fees (8%)

The new paid model represents 15% of GiG’s Media revenues with the remaining 85% from GiG’s traditional publishing service, the SEO (Search Engine Optimisation). GiG Media’s paid acquisition channel continues to gain momentum and is well placed to expand as markets begin to regulate and this channel accelerates as an available means of player acquisition.



## GiG CORE

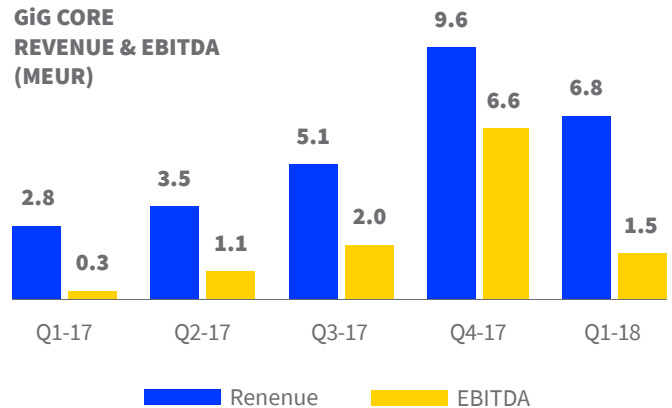
Two new brands started their operations on the platform in the first quarter 2018, resulting in 35 brands operating on the platform including GiG's seven own brands. One brand discontinued its operation after a period with weak performance. Total database transactions increased by 96% to 4.7 billion compared to 2.4 billion in the first quarter 2017 and an improvement from 4.0 billion in Q4 2017.

GiG Core saw first quarter 2018 revenues of EUR 6.8 million, a 145% increase over the first quarter 2017, whereof 81% was external revenue from clients and the balance from GiG's own brands. All growth was organic. EBITDA for the quarter was EUR 1.5 million, with an EBITDA margin of 21%, an increase from EUR 0.3 million and 11% margin in the first quarter of 2017. NGR from client base in the eco-system was up by 4.5 % from Q4 2017.

Compared to the fourth quarter 2017 GiG Core's revenues declined from EUR 9.6 million to 6.8 million due to some specific reasons and seasonal effects. In the previous quarter, a EUR 2.0 million one-off fee was paid by a GiG Core customer whose revenue share agreement was converted to a flat fee arrangement for 2018. In addition, the internal fees paid by GiG's internal brands based on the initial agreements were adjusted to current standard market rates, resulting in reduced revenue for GiG Core. Another reason for the decline was regulation, which lead to lower revenue share generated by GiG's clients (the operators). In order to support long term revenue and earnings growth of its operators and the use of increased economies of scale, GiG has lowered fees paid by the operators.

In September 2017, GiG acquired a Danish digital media buy company. The integration is ahead of expectations and synergies, such as the **GiG Comply**, have been realised. GiG Comply is a new compliance tool which is based on proprietary technology. The tool monitors advertising partners towards regulatory bodies, such as the UKGC to ensure compliance, such as Terms and Conditions. GiG Comply will be sold as a B2B product to external operators from Q3 2018.

Three new brands were signed in the first quarter 2018, and one so far in the second quarter. As of today, existing live clients and the signed pipeline adds up to a total of 42 brands operating on the platform, including GiG's brands. There are currently 8 brands in the pipeline, 4 are expected to go live in the second quarter 2018, and the remaining in the second half of 2018.



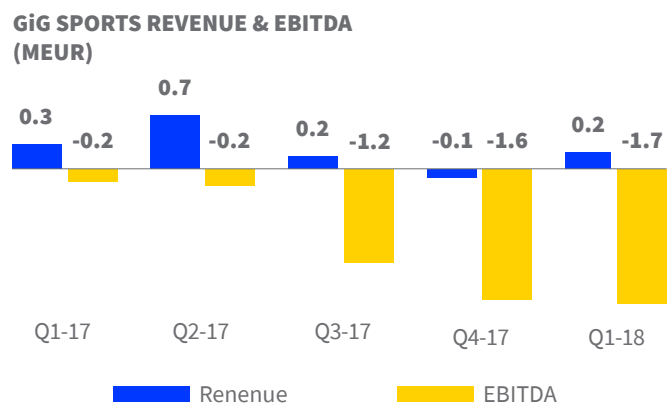
## GiG SPORTS AND GAMES SERVICES

### GiG SPORTS

GiG is placing bets against the sports betting market using bots and manual traders. The activity is mainly to quality assure GiG's proprietary odds competitiveness. GiG placed around 38,000 bets for a total turnover of EUR 4.3 million in the first quarter, down from 81,400 bets and EUR 10.3 million turnover in the first quarter 2017. The trading yielded a return of EUR 0.2 million in the quarter, down from EUR 0.3 million in the first quarter 2017. The margin achieved vetting professional bookmakers showcases the potential of the odds, as additional margin would be included in the odds offered to end users through GiG Sports.

As in the previous quarter, revenues were negatively impacted by the Company's focus on building its new sports products. Part of the trading has been used calibrate and test a range of new sports, models and algorithms. This will improve the offering as well as the bet placement operation.

In total, GiG Sports had a negative EBITDA of EUR 1.6 million in the first quarter 2018, compared to a negative 0.2 million in the first quarter 2017. The negative EBITDA is due to the increase in resource cost from fully scaling up and the focus in preparation for the launch in May.



## GiG GAMES

GiG Games is GiG's proprietary casino games development studio. GiG Games is currently completing a Remote Gaming Server (RGS) and a games engine. The RGS allows GiG to design, host and distribute in-house games, as well as third party games, to any operator, irrespective of whether they are integrated to GiG Core.

GiG has currently completed 20 integrations covering most of the leading casino games studios in the world into its platform service GiG Core. Work has commenced to move these integrations to the remote gaming server allowing GiG to sell aggregated games as an independent service to customers operating on a proprietary core system. GiG will charge a revenue share on the service.

In addition, GiG has developed a games engine on top of the remote gaming server, which allows GiG to rapidly produce innovative casino games such as table games and slots. These games will be distributed and sold using the remote gaming server to any operator in the industry. There are currently three games under development, which will be launched in Q3 2018 and by the end of 2018 there will be in total six – eight games launched.

GiG has ambition to create a major games studio and as mentioned in the operational highlights GiG entered a partnership with Hong Kong based game studio D-Tech by acquiring 36% of the company. D-Tech creates games targeting Asian players and GiG will receive exclusive games and distribution rights in Europe. This will further strengthen GiG's game studio and give insights and access to know-how on the requirements from Asian end users.

## GiG GAMING (B2C)

MEUR	Q1 2018	Q1 2017	2017
REVENUE	25.4	18.5	85.8
MARKETING EXPENSE	11.8	11.1	48.8
EBITDA	0.1	-2.7	-8.9
TOTAL DEPOSITS	103.0	73.2	352.3

*The B2C segment include Gaming Innovations Group's seven gaming operators, Rizk.com, Betspin.com, Guts.com, Kaboo.com, Thrills.com, Superlenny.com and Highroller.com.*

Revenues for the B2C gaming segment amounted to EUR 25.4 million in the first quarter, a 37% increase from EUR 18.5 million in the first quarter 2017, all is organic growth. In 2017, GiG closed down a range of markets which were active in Q1 2017. Adjusted for revenues from these markets, revenues increased 61% on

a like-for-like basis. 48% of revenues came from regulated and soon-to-be regulated markets, compared to 41% in the first quarter 2017. Revenues were split with 75% (61%) from the Nordics, 7% (10%) from Western Europe, 14% (8%) from Central Europe and the balance, 4% (21%) from non-core markets.

GiG Gaming had an EBITDA for the quarter of EUR 0.1 million, an improvement from EUR -2,7 million in the first quarter 2017. This was the first profitable quarter for GiG Gaming, following investment to reach competitive scale. The main reason for the improvement is flat marketing expenses relative to increasing revenues, operating expenses compared to revenue have also seen a positive development over the last quarters.

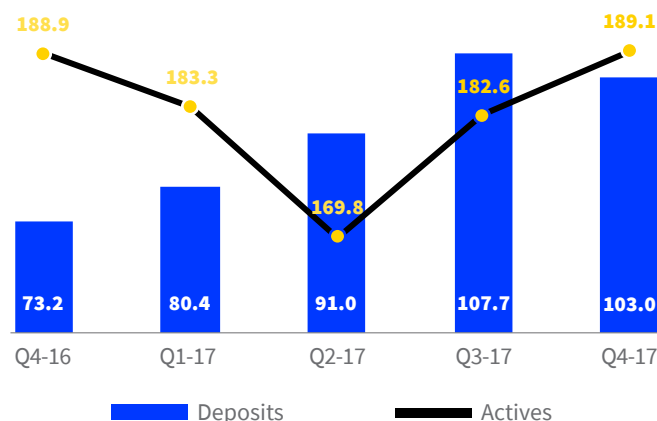
Up-front marketing investments continued in the first quarter, resulting in a total B2C marketing expense of EUR 11.8 million, in line with the EUR 11.1 million spent in the first quarter 2017. This compares to 46% of B2C revenues in the first quarter, down from 60% in the first quarter 2017. Of the total B2C marketing expense, EUR 4.0 million or 34%, was related to revenue share agreements (30% in Q1 2017), with the balance attributable to up-front payments including TV campaigns.

In the period, gross deposits were EUR 103.0 million, up 41% from EUR 73.2 million in the first quarter 2017. The number of active users for the B2C segment was 189,082 in the first quarter, up from 188,879 in the first quarter 2017.

The casino margin in the operator business was 3.51% in the first quarter, compared to 3.61% in the first quarter 2017. Sports betting had a margin of 7.9% in the quarter, compared to 6.6% in the first quarter 2017. Betting duties were 5.0% of gaming revenues compared to 3.6% in the first quarter 2017.

Other noticeable developments for GiG Gaming in Q1 includes Highroller, which launched in November 2017 and has fully matched internal projections. The success of the casino will be defined by its long term retention rates and the full focus of

### GiG GAMING DEPOSITS (MEUR) & ACTIVES

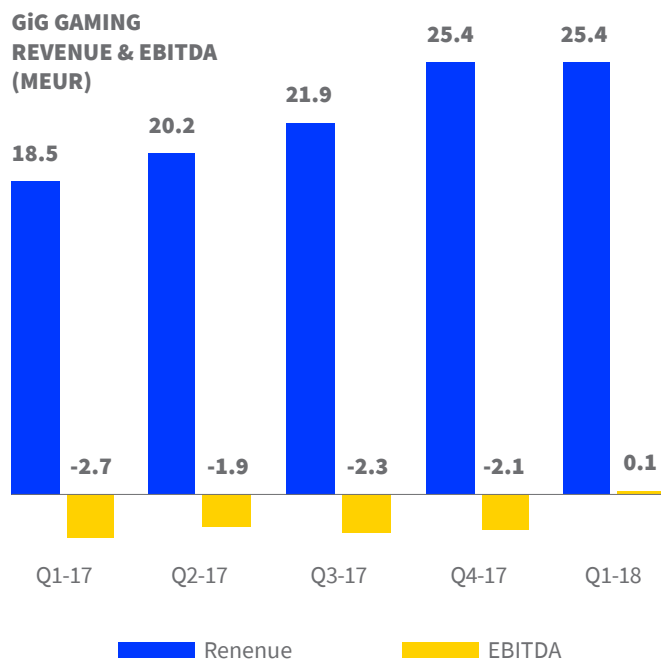




Highroller now is on further enhancement of the user experience and customer relations management.

GiG Gaming launched Rizk.com into the central European markets in late September 2017, this has since become the Company's fastest growing market in terms of both new customers and NGR (Revenue). Rizk will launch its new sportsbook, powered by GiG, prior to the FIFA World Cup in June and will increase its marketing efforts accordingly, mainly by targeting the Swedish market.

GiG Gaming is seeking to be a major iGaming operator across regulated markets, such as the Nordics, Western and Central Europe, defined as its core markets.



## REGULATORY UPDATE

GiG has taken a clear direction to put compliance at the heart of the business and a cornerstone of its strategy and is investing in the legal, regulatory and compliance team under the new One GiG organisation. The team will grow and as an example, during next quarter, the Company will introduce a dedicated technical compliance team as well as a customer facing safety and responsible gambling team, featuring agents who are proactively monitoring and contacting customers showing patterns of problematic gambling behaviour.

GiG's strategy is to predominantly operate in regulated market and the ambition is to be present in all regulated markets. New jurisdictions create new possibilities to acquire licences and opens the markets to more operators. GiG continues to monitor regulatory developments around the world and responds to these changes when and where they present new business opportunities and/or when they impact business operations.

Payment Services Directive 2 has come into effect and to stay compliant, GiG has removed all fees incurred by customers on transactions, as of 13 January 2018.

The Company is also preparing for the introduction of the General Data Protection Regulation ("GDPR"), comes into force on 25 May 2018. The GDPR is a sweeping new regulation applicable to all organisations which process personal data of people within the EU. The GDPR will create a range of new compliance obligations, which could cause GiG to change its business practices. The largest potential impact GDPR will have, will be on marketing activities, given that personal data collected may be used to deliver promotional material to customers only if the customer has given his/her clear, specific consent.

### New Jersey

GiG's is focused on obtaining a CSIE licence from the New Jersey Division of Gaming Enforcement, which will enable GiG to provide a technical solution and gambling platform to Hard Rock.

### UK

Stricter regulations in the UK have obliged a more comprehensive examination of end users' financial situation and sources of wealth/funds, which eventually may lead to closing of players' accounts. Furthermore, the Competition and Markets Authority in the UK, has been closely monitoring the activities of gambling operators, their adverts, transparency and fairness of terms and has declared it will take enforcement action against non-compliant operators. GiG welcomes this development, as it will give all companies operating in regulated markets equal competitive terms.

**Norway**

In January 2018, the opposition parties in Norway communicated an intent to introduce a bill to the parliament which would result in tougher condition for remote gaming operators. On 24 April, media reported that a majority in the parliament suggested various measures to somewhat restrict international operators' gaming sites to target local players to protect the stately owned monopoly – Norsk Tipping. The proposal is said to be presented and debated in May 2018. GiG is operating in accordance with all current applicable rules and laws and will monitor and review the development closely.

**Sweden**

Sweden has published further information on remote gaming licences to be applicable from January 2019. GiG will apply for a B2C licence and is preparing to submit an application. White labelling will be allowed, which means GiG's clients will have access to the Swedish market through its white label agreement with GiG.

**Denmark**

GiG is continuing its work on the technical certifications required to be issued a Danish Remote Betting License.

**The Netherlands**

In Q4 2017, GiG removed all advertisement from Dutch facing affiliate websites. The decision was made on request from the Dutch Gaming Regulator following its new set of prioritisation criteria. This was ahead of the expected new legislation in 2019, allowing remote betting licenses to be awarded private operators. GiG is aiming to acquire such a license and will seek to continue marketing on affiliate websites. GiG is looking forward to operating with all products and services in a regulated Dutch market.

# FINANCIAL REVIEW

## FIRST QUARTER 2018

### Revenues

GiG's revenues comprise income from the Company's gaming sites, from affiliate marketing in GiG Media, from B2B customers on GiG Core, and sports trading. Consolidated revenues amounted to EUR 37.3 million in the first quarter 2018, a 62% increase compared with the first quarter 2017 (EUR 23.1 million). Compared with the fourth quarter 2017, revenues decrease of 6% from EUR 39.9 million.

Fourth quarter 2017 revenues included a EUR 2.0 million one-off fee paid by a GiG Core customer whose revenue share agreement was converted to a flat fee arrangement for 2018 and onwards. Adjusted for this effect, revenues decreased 1.7% quarter over quarter.

### Cost of Sales

Cost of sales include fees to game and payment suppliers, as well as gaming taxes and other variable expenses. In the first quarter 2018, cost of sales amounted to EUR 6.8 million, compared with EUR 4.4 million in the first quarter 2017. Gaming taxes amounted to EUR 1.3 million, or 3.4% of total revenues, compared with EUR 0.7 million (2.9%) in the first quarter 2017.

### Gross profit

Gross profit for the group amounted to EUR 30.5 million during the first quarter 2018, a 63% increase over the first quarter of last year (EUR 18.7 million). Gross profit margin for the quarter was 82%, compared to 81% in the corresponding quarter last year.

### Marketing expenses

Marketing expenses were EUR 11.9 million in the first quarter 2018, a 9% increase from EUR 10.9 million in the first quarter 2017. Marketing expenses' share of total revenues were 32% in the quarter, down from 47% in the first quarter 2017. 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.

### Operating expenses

Other operating expenses amounted to EUR 14.3 million in first quarter 2018, a 76% increase from EUR 8.1 million in first quarter 2017. Operating expenses are mainly related to salaries, rent and general corporate expenses. The increase in opex, is a result of increased marketing activity, investments into future products and increased investment in the number of highly skilled employees to 700 over the quarter from 635, in order to support the development of technology and long term growth of the Company. The number of employees includes full time

consultants. Personnel expenses were EUR 9.7 million in the first quarter, a 70% increase from EUR 5.7 million in first quarter 2017.

Capitalised expenses related to the Company's development of technology and future products amounted to EUR 1.3 in the first quarter, compared to EUR 0.8 million in the first quarter 2017. These costs are mainly related to development of GiG's platform and sports products.

### EBITDA

EBITDA for the first quarter 2018 was EUR 4.3 million, a strong improvement from EUR -0.4 million in the first quarter 2017. The increase in EBITDA is driven by overall increased performance and increased profitability in GiG Gaming due to lower marketing relative to revenues.

### D&A

Depreciation and amortization amounted to EUR 4.7 million in the first quarter 2018, compared with EUR 1.2 million in the first quarter 2017. Depreciation and amortization expenses are mainly related to amortization of the affiliate acquisitions completed over the last three years, with EUR 1.0 million related to affiliate contracts and EUR 1.4 million to domains/SEO in the quarter.

### EBIT

EBIT came in at EUR -0.4 million in the first quarter 2018, compared to EUR -1.6 million in the first quarter 2017.

### Net result

Net other income was EUR 1.2 million in the first quarter 2018, compared to EUR -0.9 million in the first quarter 2017. Interest on the Company's bond was included with EUR 3.7 million in the quarter and the balance is net foreign exchange gains, mainly an unrealized gain on the bond due to the weakening of the SEK towards the EUR during the quarter.

The net result for the first quarter was EUR 0.9 million, compared to EUR -2.5 million in the first quarter 2017.

### Cash flow

The consolidated net cash flow from operational activities amounted to EUR 2.0 million for the first quarter 2018 (EUR 6.1 million in the first quarter 2017).

The net cash flow used on investments was EUR 3.5 million in the first quarter 2018 (EUR 2.0 million in the first quarter 2017), whereof EUR 2.6 million were related to intangibles. The net cash flow from financing activities was zero in the first quarter 2018 compared to EUR 41.0 million in the first quarter 2017 due to

issuance to the Company's SEK 400 million bond in March 2017.

Cash and cash equivalents decreased by EUR 1.4 million in first quarter 2018 (EUR 45.3 million increase in first quarter 2017).

## FINANCIAL POSITION

As at 31 March 2018, holdings of cash and cash equivalents amounted to EUR 10.7 million, compared with EUR 51.3 million as at 31 March 2017. Cash holdings include EUR 7.3 million in fiduciary capacity, which is customer monies, which use is restricted, in accordance with the Remote Gaming Regulations.

As at 31 March 2018, GiG had total assets of EUR 204.4 million, and shareholders' equity was EUR 110.2 (54%).

The interest-bearing debt as at 31 March 2018 was EUR 63.3 million, compared to EUR 43.7 million as at 31 March 2017.

## PEOPLE AND ENVIRONMENTS

GiG invest in modern and exceptional office spaces to promote creativity, collaboration and flexibility where the employees can thrive during their time at work. GiG puts the emphasis on individual responsibility and are committed to supporting individual employees perform to the best of their ability. Rewards are linked to performance and include financial benefits and career opportunities.

By the end of first quarter 2018, 700 employees were spread throughout Malta, Spain, Denmark, Norway and some satellite offices. 29% of the employees are female, which is good relative to the gaming sector. Approximately 225 of the employees are working in Gaming, 330 in Services and 105 in GiG Media, with the balance in corporate functions. GiG believes in diversity and equality and has engaged in a number of activities and sponsorships to promote such, among other sponsoring local chapters of Girls in tech and providing six weeks complementary paternity leave.

## SHAREHOLDER MATTERS

As at 31 March 2018, the total number of shares outstanding in GiG was 895,656,266 (par value USD 0.10), divided between approximately 3,500 shareholders. The number of authorized shares is 950,000,000.

So far in 2018, 3,900,000 new options were granted, see additional details in Note 6 and 11. In addition, employees have exercised their options to buy a total of 1,100,000 shares in GiG. The Company has borrowed shares for the immediate transfer of the option shares to the employees, and will issue new shares later. When issuing the new shares for the option exercise, the outstanding number of shares will increase to 896,756,266.

Finally, 2,090,000 options have been cancelled in 2018, resulting in 19,670,000 options outstanding as of today.

# GiG'S ECO-SYSTEM EXPLAINED

GiG’s vision is; “Opening Up iGaming, making it fair and fun for all”. The Company’s eco-system consists of a range of products and services, developed in-house which are connecting end users, operators and suppliers, creating synergistic effects and margin potential for all. The model enables GiG to enter the market at multiple points, each of which are mutually reinforcing, enabling the Company to take individual elements or aggregate slices of the market.

1. GiG Media – digital marketing and lead generation
2. GiG Core – proprietary cloud based platform service
3. Sports and Games Services – odds and casino games
4. GiG Gaming – seven consumer brands offering casino, sportsbook and poker to end users

Together, these complete GiG’s presence throughout and the disruption of, the value chain. A user might have been channelled from the lead generation service, to an internal or external operator using the GiG platform and be playing an in-house game. In this case, excluding payment costs, GiG would have a 100% profit margin before opex and taxes. It is unique in the world of iGaming and explains the GiG strategy and equity story.

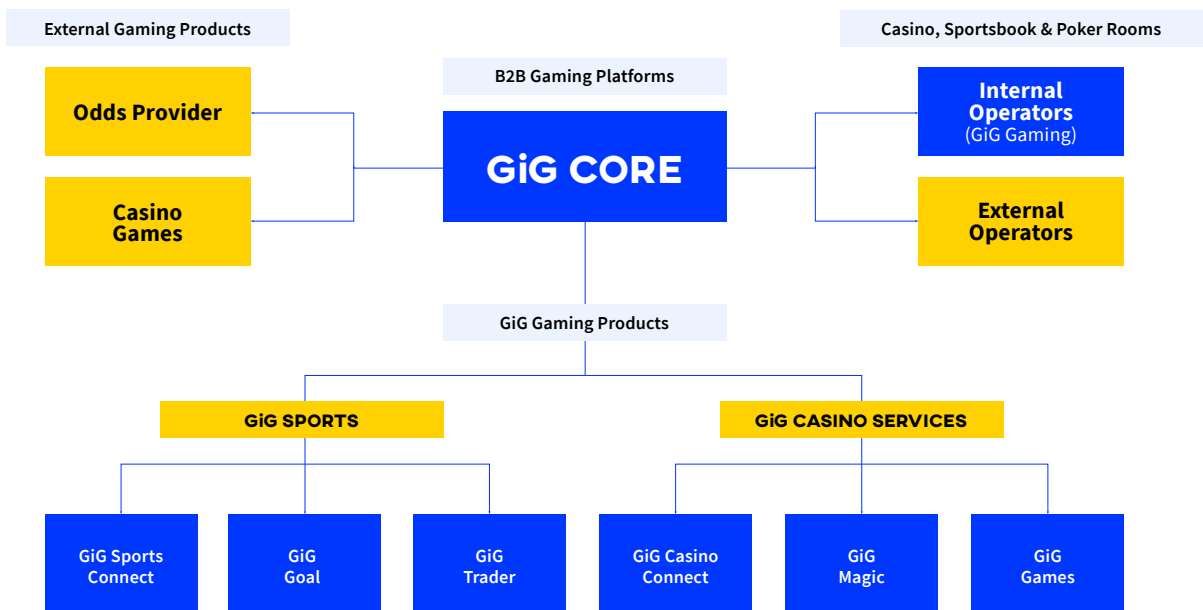
## 1. GiG MEDIA

Through online media buys and publishing, GiG Media finds leads that are referred to operators on a perpetual revenue share and/or a flat fee for each provided lead converted to a customer. Although a good and profitable business model in itself, the true potential lies in the strategic value. By expanding the digital reach and footprint, GiG can channel more users to its eco-system of clients and services, creating a network effect and scale advantage for all.

## 2. GiG CORE

The platform is the heart of an iGaming operators business – containing the user database, the transactional engine handling bets and payments, the wallet holding players funds, as well as a range of ancillary features.

In 2015 GiG launched its cloud-based platform service. The product is one of the fastest growing software launches ever in iGaming. The product is empowering operators with all the hardware, software, tools, features and integrations needed to start and operate an iGaming operator. The product was previously labelled



iGamingCloud and has now been renamed GiG Core. The name change is explained by the growing number of services offered independently or as a platform bundle and a rebranding exercise will be carried out over the coming period.

GiG has developed an open platform from the first line of code. It is powering GiG's internal brands and it is selling it to external operators on a revenue share model. Open because it is integrated with all the major suppliers of games, services, odds and data within the industry, which operators can choose from at their own discretion.

By connecting multiple operators to the platform, the cost of development is divided on all and create scalability. The solution produces a network effect, where single operators can benefit from a sharing economy. More operators contribute to an increasingly powerful offering. It is the leverage of the platform which provides the operator or the supplier with the edge.

The business model consists of recurring revenue share – contracting and reselling the services of the suppliers. The more revenues brought through the sharing economy model, the better rates are procured. With better rates, GiG can offer better price points and thus attract increasingly larger clients.

By channelling users from GiG's lead generation to its platform clients, GiG captures more of the customers' wallet, whilst driving distribution and growth for its partners and suppliers. The Company first earn from the market rates it is being paid for the referred traffic, then earn from the markup charged when a user is playing with one of the platform clients. Finally, suppliers see increased volumes which helps to procure better rates, and as such cost of sales are decreasing as a proportion of revenues

### 3. GiG SPORTS AND GAMES

GiG is developing gaming services for both sports betting and casino operators. Gaming services are licensed and certified odds or games can be plugged directly into the consumer portal of any operator. These are core investment areas for GiG to complete the whole eco-system. By offering proprietary games and odds, GiG can drive disruption in the marketplace and capture an even larger part of the customers' wallet. GiG drive the content forward, it can set its own rules, making the eco-system attractive to a larger demography of B2B and B2C clients. Operators who are using their own platform can connect to the eco-system by easily integrating directly to GiG's odds or game feeds.

**GiG Sports** The new sports betting services will connect everything into one eco-system, where multiple odds providers and services will be integrated and where operators can choose to use the full service or part of the offering to match their specific, customised needs. There are no limits on the flexibility of the sportsbook, it empowers the operator to individually tailor its front end look and feel, risk management, number of events and user experience as well as odds and marketing features. Advanced mapping of individual player behaviour will enhance

the user experience for the end user and boost targeting and marketing reach for the operator.

**GiG Odds and Data** is a service featuring in-house odds containing both Pre-match, Live betting and Futures, generated from probabilities based on data in GiG's proprietary models. This will see GiG expand its tech and data capabilities. In January, GiG signed a long term agreement with Perform Group – the leading digital sports content and media group – where Perform will provide GiG with official data from international sports events. GiG will use these data to offer odds services to its brands and other B2B clients on a revenue share basis.

**GiG Trader** is a full suite of trading and risk management tools and services with local knowledge and presence, which can be integrated with GiG Odds or any third party odds service. It includes all the features, tools and options traders need to run a risk and trading operation for any sportsbook.

**GiG Goal** is a brand new mobile first middle-ware and front end service based on advanced personalisation algorithms. It replaces the current sportsbook at GiG's consumer brands and will be launched as a new vertical on Rizk.com. The service will be sold to operators as a modern and scalable turnkey front end solution for sportsbooks, available from the second half of 2018.

**GiG Games** GiG is deep in the process of developing a remote gaming server (RGS) and a games engine. The RGS allows GiG to design, house and distribute in-house developed games (from the first line of code) and third party games, to any operator, irrespective of whether they are integrated to GiG Core. A range of games are currently being developed with planned release in the second half of 2018. It includes table games such as blackjack and roulette, as well as slots. Games will be offered on a revenue share basis.

GiG has ambition to create a major games studio and has a partnership with Hong Kong based game studio D-Tech where GiG holds 36% of the company. This will further strengthen GiG's game studio and give insights and access to know-how on the requirements from Asian end users.

### 4. GiG GAMING

GiG Gaming has seven consumer facing brands offering casino games, odds and poker tables. The brands are used to test and display the capabilities of the platform, to connect users and marketing partners to the Company's eco-system, and to keep the know-how of being an operator, when designing B2B services. It features some of the most innovative products in the industry and the brands can evidence a very impressive growth rate.

# GAMING INNOVATION GROUP INC.

## Condensed Statements of Operations

EUR 1000 - UNAUDITED			
	Q1 2018	Q1 2017	2017
<b>REVENUES</b>	37 339	23 074	120 423
Cost of sales	6 850	4 367	20 521
<b>GROSS PROFIT</b>	30 489	18 707	99 902
<b>OPERATING EXPENSES</b>			
Marketing expenses - revenue share	3 978	3 327	15 392
Marketing expenses - other	7 885	7 603	31 701
Other operating expenses	14 293	8 129	40 288
<b>TOTAL OPERATING EXPENSES</b>	26 156	19 059	87 381
<b>EBITDA</b>	4 333	-352	12 521
Depreciation & amortization	4 700	1 239	10 912
<b>EBIT</b>	-367	-1 591	1 609
Other income (expense)	1 324	-621	-1 054
Unrealized gain (loss) on derivative asset	-95	-240	-
<b>RESULT BEFORE INCOME TAXES</b>	862	-2 452	555
Tax income/(expense)	22	-10	-973
<b>NET RESULTS</b>	884	-2 462	-418
Exchange differences on translation of foreign operations	86	153	-2 571
Fair value movement in available for sale investment	26	-2	1 281
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	996	-2 311	-1 708
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>			
Owners of the Company	990	-2 312	-1 726
Non-controlling interests	6	1	18
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	996	-2 311	-1 708
<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 (1000)	895 656	811 517	890 673
effect of dilutive shares (1000)	7 183	2 937	-
Diluted weighted average shares outstanding (1000)	902 839	814 454	890 673

# GAMING INNOVATION GROUP INC.

## Condensed Statements of Financial Position

EUR 1000 - UNAUDITED			
	31 MAR 2018	31 MAR 2017	31 DEC 2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Goodwill	69 543	64 119	69 444
Intangible assets	90 216	41 307	91 997
Deposits and other non-current assets	7 940	1 651	7 179
<b>TOTAL NON-CURRENT ASSETS</b>	<b>167 699</b>	<b>107 077</b>	<b>168 620</b>
<b>CURRENT ASSETS:</b>			
Prepaid and other current assets	67	169	194
Trade and other receivables	25 882	11 997	24 769
Cash and cash equivalents	10 711	51 312	12 079
<b>TOTAL CURRENT ASSETS</b>	<b>36 660</b>	<b>63 478</b>	<b>37 042</b>
<b>TOTAL ASSETS</b>	<b>204 359</b>	<b>170 555</b>	<b>205 662</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	78 483	71 639	78 483
Share premium/reserves	31 054	34 288	30 513
Retained earnings (deficit)	645	-2 850	-236
Total equity attributable to GiG Inc.	110 182	103 077	108 760
Non-controlling interests	30	7	23
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>110 212</b>	<b>103 084</b>	<b>108 783</b>
<b>LIABILITIES:</b>			
Trade payables and accrued expenses	30 025	20 444	28 568
Short term loans	-	3 324	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>30 025</b>	<b>23 768</b>	<b>28 568</b>
Bond payable	62 260	41 060	66 466
Deferred tax liability	829	-	829
Other long term liabilities	1 033	2 643	1 016
<b>TOTAL LONG TERM LIABILITIES</b>	<b>64 122</b>	<b>43 703</b>	<b>68 311</b>
<b>TOTAL LIABILITIES</b>	<b>94 147</b>	<b>67 471</b>	<b>96 879</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>204 359</b>	<b>170 555</b>	<b>205 662</b>
<b>CONDENSED STATEMENTS OF CHANGES IN EQUITY:</b>			
<b>EQUITY AT BEGINNING OF PERIOD</b>	<b>108 783</b>	<b>105 175</b>	<b>105 175</b>
Issuance of shares for cash, in repayment of debt and purchase of subsidiary and affiliates	24	-	3 650
Fair value movement in available for sale investments	26	-2	1 281
Share compensation expense	409	237	1 666
Non-controlling interests	6	1	18
Exchange differences arising from prior year adjustment	-	-17	-
Exchange differences on translation of foreign operations	86	153	-2 571
Net results	878	-2 463	-436
<b>EQUITY AT END OF PERIOD</b>	<b>110 212</b>	<b>103 084</b>	<b>108 783</b>



# GAMING INNOVATION GROUP INC.

## Condensed Statements of Cash Flows

EUR 1000 - UNAUDITED			
	Q1 2018	Q1 2017	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Results before income taxes	862	-2 452	555
Adjustments to reconcile profit before tax to net cash flow:			
Tax expense	22	-10	-973
Depreciation and amortization	4 700	1 239	10 912
Other adjustments for non-cash items and changes in operating assets and liabilities	-3 574	7 284	2 552
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2 010</b>	<b>6 061</b>	<b>13 046</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of intangible assets	-2 123	-1 243	-54 479
Purchases of property, plant and equipment	-607	-708	-3 817
Purchases of affiliates	-	-	-9 120
Cash flow from other investing activities	-760	-	-200
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>-3 490</b>	<b>-1 951</b>	<b>-67 616</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from Issuance of shares	-	-	-
Proceeds from bond issue	-	41 016	66 956
Proceeds from loans	-	-	3 071
Repayment of loans	-	-	-8 123
Cash flow from other investing activities	-	-	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>41 016</b>	<b>61 904</b>
Translation loss	86	153	-2 571
Fair value movements	26	-2	1 281
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>-1 368</b>	<b>45 277</b>	<b>6 044</b>
Cash and cash equivalents - beginning	12 079	6 035	6 035
<b>CASH AND CASH EQUIVALENTS - END</b>	<b>10 711</b>	<b>51 312</b>	<b>12 079</b>

# GAMING INNOVATION GROUP INC.

## Selected Notes to Condensed Consolidated Financial Statements as of and for the Periods Ending 31 March 2018 and 2017

### 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 sports betting.

The consolidated financial statements of the Company as at and for the periods ended 31 March 2018 and 2017 are comprised of p.l.c., and its accounting basis subsidiaries: GiG, Candid Gaming Ltd (“Candid”) and Gridmanager Ltd (“Grid”), MT Secure Trade Ltd, (“Secure”) Innovation Labs Ltd, (“Labs”) iGaming Cloud Ltd., (“iGC”) BettingCloud Ltd. (formerly Gaming Exchange Ltd.) (“Exchange”), Zecure Gaming Limited (Zecure), GiG Properties Inc (Properties) (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”) (a corporation registered in Norway). 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), Pronzo Entertainment B.V. (a corporation registered in Curacao) and Rebel Penguin ApS (a corporation registered in Denmark).

### 2. BASIS OF PREPARATION

The condensed consolidated 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 2018 and 2017 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 full years of operations of both 2017 and 2016 of Gaming Innovation Group Inc. and subsidiaries, Oddsmodel from May 2016, 100% of

activities of IGC from September 2016 (previously owned 90%), Betit from September 2016 and Rebel Penguin from Sept 2017.

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 and Danish Kroners 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 periods ended 31 March 2018 and 2017 are consistent with those used in preparing the Company’s consolidated financial statements as of and for the year ended 31 December 2017.

#### 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.

#### GiG Gaming:

Gaming transactions that are not deemed to be financial instruments, where the Company revenues stem from commissions. The revenue recognized in this manner relates to Poker.

Revenue from gaming transactions that are deemed to be financial instruments, where the Company takes open positions against players, are 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 and casino.

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 commission arising on transactions where the Company does not take open position against players, such as poker, is recognized when players place wagers in a pool.

#### GiG Core:

In contracting with white label operators, the Company considers that it is acting as an intermediary between the third party platform and the related service providers. On this basis revenue is recognized net of payments made to service providers.

In contracting with own license operators, the Company generates revenue by entering into a revenue share deal or a fixed deal where such revenue is apportioned on an accrual basis over the whole term of the contract.

#### GiG Media:

For a revenue share deal, the Company receives a share of the revenues that the gaming operator has generated as a result of a player playing on their iGaming site. Revenue is recognized in the month that it is earned by the respective gaming operator.

For a cost acquisition deal, a client pays a one-time fee for each player who deposits money on the client's site. Cost per acquisition contracts consist of a pre-agreed rate with the client. Revenue from such contracts is recognized in the month in which the deposits are made.

For a listing deal, a client pays a fixed fee to be listed and critically reviewed on the Company's websites. Such revenue is apportioned on an accrual basis over the term of the contract.

Other 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 in profit or loss for interest-bearing instruments as it accrues, on a time proportion basis using the effective interest method, unless collectability is in doubt.

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

#### Standards, Interpretations and Amendments to Published Standards Effective in 2018 and 2017

In 2018 and 2017, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning 1 January 2018 and 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

#### Standards, Interpretations and Amendments to Published Standards that are not yet Effective

IFRS 16, a new and revised accounting standard and interpretation is not mandatory for the preparation of the consolidated financial statements for 2018. Management has begun to assess the impact of IFRS 16 on leases (effective date 1 January 2019) on the future financial reporting. Management has not yet assessed the full impact of the new standard on the Company's financial statements but believes that IFRS 16 will impact its financial statements.

## 4. SEGMENT INFORMATION

The 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. Segment information relating to balance sheet and geographical sales will be disclosed annually in the annual report.

Q4 2018 (EUR 1000)	B2C	B2B	ELIMINATION	TOTAL
<b>REVENUE</b>	25,418	15,260	-3,339	37,339
<b>COST OF SALES</b>	7,801	200	-1,151	6,850
<b>MARKETING COST</b>	11,754	1,462	-1,353	11,863
<b>EBITDA</b>	147	4,149	37	4,333
<b>EBIT</b>	-207	-197	37	-367

Q1 2017 (EUR 1000)	B2C	B2B	ELIMINATION	TOTAL
<b>REVENUE</b>	18,493	6,292	-1,711	23,074
<b>COST OF SALES</b>	5,585	57	-1,275	4,367
<b>MARKETING COST</b>	11,123	242	-435	10,930
<b>EBITDA</b>	-2,677	2,331	-6	-352
<b>EBIT</b>	-2,889	1,304	-6	-1,591

2017 (EUR 1000)	B2C	B2B	ELIMINATION	TOTAL
<b>REVENUE</b>	85,843	49,127	-14,547	120,423
<b>COST OF SALES</b>	25,554	957	-5,990	20,521
<b>MARKETING COST</b>	48,806	2,069	-3,782	47,093
<b>EBITDA</b>	-8,855	21,481	-105	12,521
<b>EBIT</b>	-9,875	11,589	-105	1,609

## 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. As of 31 March 2018, the Company had 19,910,000 options outstanding.

## 6. CHANGES IN EQUITY

In January 2018, the Board granted 1,800,000 new options to key employees, with an exercise price of NOK 6.50 per share, and the options are exercisable with 20% after 1 February 2019, 30% after 1 February 2020, and 50% after 1 February 2021. All options expire on 31 January 2024 and are conditional upon employment at time of exercise.

In March 2018, the Board granted 2,100,000 options to key employees with an exercise price of NOK 7.50 per share, and the options are exercisable with 20% after 1 April 2019, 30% after 1 April 2020 and 50% after 1 April 2021. All options expires on 31 March 2024 and are conditional upon employment at time of exercise.

In addition, 2,090,000 options have been cancelled and 860,000 options exercised in the first quarter 2018 resulting in 19,910,000 options outstanding as of 31 March 2018.

895,656,266 shares (par value USD 0.10) were outstanding as of 31 March 2018, whereof the Company owned no treasury shares.

## 7. LOANS PAYABLE SHAREHOLDERS

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, that was increased to NOK 19,200,000 in July 2016. These two loan facilities were repaid in April 2017.

In July 2017, the Company, utilizing the revolving loan facility with a shareholder noted above, borrowed an additional NOK 15,000,000 and, in August 2017, borrowed an additional NOK 4,000,000. This loan facility was repaid in September 2017. In December 2017, the Company, utilizing the revolving loan facility with a shareholder noted above, borrowed NOK 10,000,000 with an interest rate of 10% per annum due on demand at monthly intervals.

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 dates ranging from 31 May 2016 through 31 December 2016. In December 2016, this loan facility was refinanced and increased by NOK 13,000,000 for a total of NOK 31,500,000 as of 31 December 2016, and maturity was extended to 30 June 2017. Close associates of Helge Nielsen and Jon Skabo, board members of the Company, participated in the loan with NOK 3,500,000 and NOK 1,500,000 respectively. These loan agreements were repaid in April 2017.

Short-term loans outstanding balances at 31 March 2018 and 2017 were EUR 0 and EUR 3,324,105, respectively with accrued interest of EUR 0 and EUR 80,871 respectively. Long term loans outstanding balances at 31 March 2018 and 2017 were EUR 1,033,350 and EUR 2,642,989, respectively with accrued interest of EUR 31,141 and EUR 51,597, respectively.

## 8. SENIOR SECURED BOND

In March 2017, GiG issued 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 with maturity in March 2020. Net proceeds from the bond issue has been used for acquisition of affiliate markets, paying off existing debt in full, as well as towards general corporation purposes. The bond was initially drawn on 6 March 2017 with a subsequent issue of SEK 250 million on 14 September 2017 for a total of SEK 650 million. The outstanding balance at 31 March 2018 was EUR 62,259,789 with accrued interest of EUR 365,242. The bonds are registered in the Norway Central Securities Depository and listed on the Oslo Stock Exchange.

## 9. ACQUISITIONS

In January 2018, the Company acquired an additional 16 per cent in D-Tech International Limited for EUR 160,000 thus raising the Company's total shareholding to 36 per cent. As part of the transaction, the Company will receive eight exclusive online games.

In March 2018, the Company agreed to acquire the German sports betting company Nordbet, which holds a sports betting license in the German state, Schleswig-Holstein. The license in Schleswig-Holstein will allow the Company's own operators to offer sports betting in Germany. In addition, it is expected the license will allow the Company to integrate with the larger payment providers, making the Company's sports and casino offering more available to German end-users. The license will be valid until February 2019, with potential for extensions.

## 10. RELATED PARTY TRANSACTIONS

There were no other material related parties' transactions in the first quarter 2018 than reported above in Note 7.

## 11. SUBSEQUENT EVENTS

240,000 options have been exercised subsequent to the quarter resulting in 19,670,000 options outstanding as of today.

There have been no material subsequent events after 31 March 2018.

## 12. 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 amount 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.

**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

**EBIT:** Operating profit

**EBITDA:** Operating profit less depreciation and amortization

**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 tax:** Taxes paid on revenues in regulated markets

**Gross profit:** Operating revenue less cost of sales

**Gross margin:** Gross profit in percent of revenues

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

**Organic growth:** Growth excluding acquisitions.

**Net Gaming Revenue (NGR):** Total cash deposits less all wins payable to customers after bonus costs and external jackpot contributions.

# GAMING INNOVATION GROUP PLC.

Gaming Innovation Group Plc has issued a SEK 650 million senior secured bond with a SEK 1,250 million borrowing limit. The bond issue has a fixed coupon of 7.0% p.a. with maturity in March 2020. The bond is listed on the Oslo Stock Exchange with ISIN NO0010787120. As per the bond terms, the interim condensed

consolidated accounts for the issuer for the first quarter 2018 are stated below. Please refer to the selected notes to condensed consolidated financial statements for the parent Gaming Innovation Group Inc. for more information.

## Condensed Statements of Operations

<b>EUR 1000 - UNAUDITED</b>			
	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>2016</b>
<b>REVENUES</b>	37 339	23 074	120 423
Cost of sales	6 850	4 367	20 521
<b>GROSS PROFIT</b>	<b>30 489</b>	<b>18 707</b>	<b>99 902</b>
<b>OPERATING EXPENSES</b>			
Marketing expenses - revenue share	3 978	3 327	15 392
Marketing expenses - other	7 885	7 603	31 701
Other operating expenses	13 962	7 843	38 995
<b>TOTAL OPERATING EXPENSES</b>	<b>25 825</b>	<b>18 773</b>	<b>86 088</b>
<b>EBITDA</b>	<b>4 664</b>	<b>-66</b>	<b>13 814</b>
Depreciation & amortization	4 691	1 230	10 874
<b>EBIT</b>	<b>-27</b>	<b>-1 296</b>	<b>2 940</b>
Other income (expense)	1 324	-621	-1 719
Unrealized gain (loss) on derivative asset	-54	-35	-
<b>RESULT BEFORE INCOME TAXES</b>	<b>1 243</b>	<b>-1 952</b>	<b>1 221</b>
Tax income/(expense)	22	-10	-973
<b>NET RESULTS</b>	<b>1 265</b>	<b>-1 962</b>	<b>248</b>
Exchange differences on translation of foreign operations	86	169	-523
Fair value movement in available for sale investment	26	-2	1 281
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>1 377</b>	<b>-1 795</b>	<b>1 006</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>			
Owners of the Company	1 371	-1 796	988
Non-controlling interests	6	1	18
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>1 377</b>	<b>-1 795</b>	<b>1 006</b>

# GAMING INNOVATION GROUP PLC.

## Condensed Statements of Financial Position

EUR 1000 - UNAUDITED			
	31 MAR 2018	31 MAR 2017	31 DEC 2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Goodwill	53 855	48 431	53 756
Intangible assets	83 782	34 835	85 553
Deposits and other non-current assets	7 731	1 643	7 178
<b>Total non-current assets</b>	<b>145 368</b>	<b>84 909</b>	<b>146 487</b>
<b>CURRENT ASSETS:</b>			
Prepaid and other current assets			
Trade and other receivables	25 882	11 997	24 769
Cash and cash equivalents	10 616	10 397	11 785
<b>Total current assets</b>	<b>36 498</b>	<b>22 394</b>	<b>36 554</b>
<b>TOTAL ASSETS</b>	<b>181 866</b>	<b>107 303</b>	<b>183 041</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	51	52	54
Share premium/reserves	103	-5 446	-417
Retained earnings (deficit)	513	-3 501	-749
<b>TOTAL EQUITY ATTRIBUTABLE TO GG PLC.</b>	<b>667</b>	<b>-8 895</b>	<b>-1 112</b>
Non-controlling interests	30	7	23
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>697</b>	<b>-8 888</b>	<b>-1 089</b>
<b>LIABILITIES:</b>			
Trade payables and accrued expenses	29 747	20 101	28 367
Inter-co GiG Inc.	88 333	55 030	88 468
<b>TOTAL CURRENT LIABILITIES</b>	<b>118 080</b>	<b>75 131</b>	<b>116 835</b>
Bond payable	62 260	41 060	66 466
Deferred tax liability	829	-	829
<b>TOTAL LONG TERM LIABILITIES</b>	<b>63 089</b>	<b>41 060</b>	<b>67 295</b>
<b>TOTAL LIABILITIES</b>	<b>181 169</b>	<b>116 191</b>	<b>184 130</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>181 866</b>	<b>107 303</b>	<b>183 041</b>
<b>CONDENSED STATEMENTS OF CHANGES IN EQUITY:</b>			
<b>EQUITY AT BEGINNING OF PERIOD</b>	<b>-1 089</b>	<b>-7 362</b>	<b>-7 362</b>
Acquisition of NCI	-	32	3 601
Issue of share capital	49 532	-	-
Fair value movement in available for sale investments	26	-2	1 281
Share compensation expense	409	237	1 666
Non-controlling interests	6	1	18
Exchange differences on translation of foreign operations	86	169	-523
Net results	1 259	-1 963	230
<b>EQUITY AT END OF PERIOD</b>	<b>697</b>	<b>-8 888</b>	<b>-1 089</b>

# GAMING INNOVATION GROUP PLC.

## Condensed Statements of Cash Flows

EUR 1000 - UNAUDITED			
	Q1 2018	Q1 2017	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Results before income taxes	1 243	-1 952	1 221
Tax expense	22	-10	-973
Depreciation and amortization	4 691	1 230	10 874
Other adjustments for non-cash items and changes in operating assets and liabilities	-1 306	8 282	2 554
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4 650</b>	<b>7 550</b>	<b>13 676</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of intangible assets	-2 123	-1 243	-54 479
Purchases of property, plant and equipment	-607	-708	-3 817
Purchases of affiliates	-	-	-9 120
Cash flow from other investing activities	-760	-	-200
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>-3 490</b>	<b>-1 951</b>	<b>-67 616</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from bond issue - net	-	41 016	66 956
Loan from related party	-2 441	-42 261	-7 867
Increase in share capital	-	48	50
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-2 441</b>	<b>-1 197</b>	<b>59 139</b>
Translation loss	86	169	-523
Fair value movements	26	-2	1 281
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>-1 169</b>	<b>4 569</b>	<b>5 957</b>
Cash and cash equivalents - beginning	11 785	5 828	5 828
<b>CASH AND CASH EQUIVALENTS - END</b>	<b>10 616</b>	<b>10 397</b>	<b>11 785</b>



## OUR OFFICES

### **MALTA**

@GiG Beach, The Golden Mile,  
Triq Id-Dragnara, St Julian's,  
STJ 3148, Malta

### **MARBELLA**

Avenida Ricardo Soriano 21,  
2º Planta,  
Puerta 1

### **OSLO**

Fridjtof Nansens Plass 6,  
0160 Oslo

### **KRISTIANSAND**

Tangen 76,  
4608 Kristiansand

### **GIBRALTAR**

Mavrix Services Limited,  
11A Cornwall's Lane,  
Gibraltar  
GX1 1AA

### **COPENHAGEN**

Nannasgade 28,  
2200 Copenhagen N,  
Denmark

### **UNITED STATES**

8359 Stringfellow Rd,  
St. James City, FL 33956, USA



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