



GAMING INNOVATION GROUP

**Q4 2016**

# **INTERIM REPORT**

# 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.

# Q4 2016 INTERIM REPORT

## HIGHLIGHTS

- CONTINUED STRONG GROWTH IN REVENUES, EUR 21.5 MILLION IN FOURTH QUARTER 2016, AN INCREASE OF 237 PER CENT OVER FOURTH QUARTER 2015, AND 48 PER CENT QUARTER OVER QUARTER. GIG'S ORGANIC REVENUE GROWTH WAS 18 PER CENT QUARTER OVER QUARTER
- THE COMPANY IS EXPECTING CONTINUED REVENUE GROWTH WITH YEARLY REVENUES IN EXCESS OF EUR 120 MILLION IN 2017
- EBITDA OF EUR 3.9 MILLION IN FOURTH QUARTER 2016, AN INCREASE FROM EUR -1.8 MILLION IN FOURTH QUARTER 2015 AND EUR 1.1 MILLION IN THIRD QUARTER 2016
- FULL YEAR 2016 REVENUES WERE EUR 53.6 MILLION, A 202% INCREASE OVER 2015. EBITDA ENDED AT EUR 5.8 MILLION FOR THE YEAR, COMPARED TO EUR -2.1 MILLION IN 2015
- IGAMINGCLOUD SIGNED THREE NEW CLIENTS IN FOURTH QUARTER, ADDING UP TO A TOTAL OF 24 AGREEMENTS. 19 EXTERNAL BRANDS WERE OPERATIONAL ON THE IGC PLATFORM IN THE QUARTER IN ADDITION TO GIG'S OWN BRANDS
- INNOVATION LABS REFERRED 10,357 FIRST TIME DEPOSITORS TO GIG'S OWN AND EXTERNAL BRANDS IN THE FOURTH QUARTER, UP 8% FROM THE PREVIOUS QUARTER
- BETIT WAS ACQUIRED EFFECTIVE FROM 1 SEPTEMBER 2016, ADDING EUR 7.5 MILLION TO REVENUES IN THE QUARTER AND EUR 0.4 MILLION TO EBITDA. BETIT'S THREE BRANDS WERE MIGRATED TO GIG'S IGAMING CLOUD PLATFORM IN NOVEMBER

## KEY FIGURES

| EUR 1000              | Q4 2016 | Q4 2015 | 2016   | 2015   |
|-----------------------|---------|---------|--------|--------|
| REVENUE               | 21 495  | 6 384   | 53 605 | 17 749 |
| EBITDA                | 3 862   | -1 756  | 5 816  | -2 062 |
| PRE TAX PROFIT (LOSS) | 2 738   | -1 538  | 4 332  | -1 732 |

## 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.

# Q4 2016 INTERIM REPORT

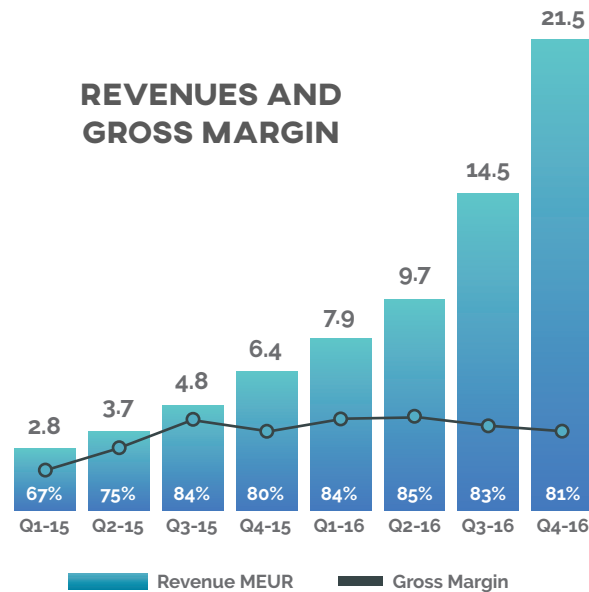
## OPERATIONAL UPDATE

Gaming Innovation Group Inc. (GIG) continued its growth across its business areas in the fourth quarter 2016. Betit Holdings Ltd. (Betit) was acquired in September, adding three additional brands to the operations – SuperLenny.com, Thrills.com and Kaboo.com - increasing the Company's B2C revenues in the fourth quarter. Main achievements during the quarter were:

- Continued growth in deposits and GGR (gross gaming revenues) for the operators and an increase in active users from 177,587 in third quarter to 183,521 in the fourth quarter. Migration of Betit's three brands to the iGC platform in November had as expected a temporarily negative impact during the quarter.
- iGaming Cloud (iGC) had 19 external operators live at the end of the quarter and three new agreements were entered into during the quarter. A total of 24 agreements have been signed, above the Company's target of 20 agreements by the end of 2016.
- Growth for the affiliate business in Innovation Labs through increased number of referred FTDs an revenue.

GIG has strengthened its management to be prepared for the planned growth going forward. Beverley Fairclough joined GIG as Chief People Officer in November. Fairclough has an extensive background within HR from companies such as Pokerstars, Arqiva and Virgin Media, and initial focus for Fairclough will be on shaping and implementing the company's people operations strategy. In addition, iGaming Cloud has strengthened its management with Edgar Peics joining as CTO in iGC (previously Chief Information Officer in Evolution Gaming), Aaron Xuereb as Chief Data Officer in iGC (previously Head of Business Intelligence at Betsson), Tony Mahony as Chief Product Officer in iGC (Odoboo) and Christina Niculae as Chief Operating Officer in iGC (McDonalds, Oracle, Ericsson).

## 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                     | Q4 2016 | Q4 2015 | 2016  | 2015  |
|--------------------------|---------|---------|-------|-------|
| <b>REVENUE</b>           | 17.93   | 4.84    | 42.40 | 14.43 |
| <b>MARKETING EXPENSE</b> | 7.29    | 3.76    | 19.80 | 7.82  |
| <b>EBITDA</b>            | 1.32    | -2.94   | -1.12 | -4.33 |
| <b>TOTAL DEPOSITS</b>    | 66.9    | 16.5    | 159.1 | 53.6  |

## GAMING OPERATORS

GIG's casino brands Guts.com, Rizk.com and Betspin.com continued their positive progress in the fourth quarter with all time high deposits and Gross Gaming Revenue (GGR). Betit Holding Ltd. was acquired effective from 1 September 2016, adding Betit's casino brands SuperLenny.com, Thrills.com and Kaboo.com to GIG's existing brands.

For the quarter, total deposits were EUR 66.9 million, up 59% from EUR 42.1 million in the third quarter 2016, whereof Betit's casino brands contributed with EUR 28.5 million (EUR 10.4 million in third quarter). Organic deposit growth from the third quarter was 21%.

Revenues for the B2C segment ended at EUR 17.9 million in the fourth quarter, a 58% increase from EUR 11.4 million in third quarter 2016. Excluding Betit, organic revenue growth for the fourth quarter 2016 was 19%.

The operator business had margins of 3.72% in casino and 6.5% in sports betting in the fourth quarter, compared to 3.74% for casino and 8.4% for sports in the previous quarter.

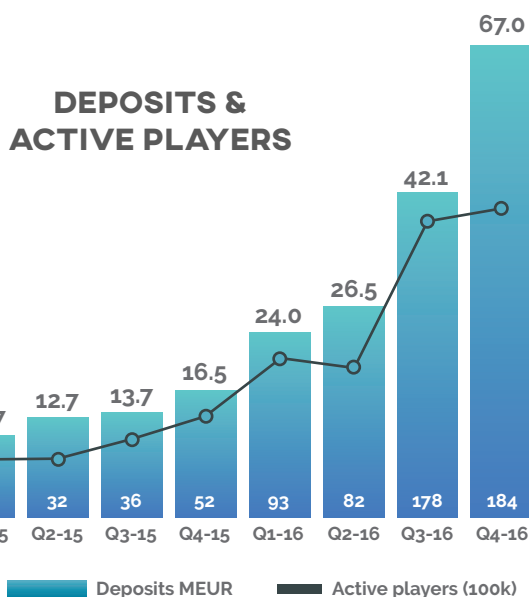
The number of active users for the B2C segment was 183,521 in the fourth quarter, up from 177,587 in the third quarter. GIG's original brands Guts.com, Rixk.com and Betspin.com were all time high of 109,259 active users in fourth quarter 2016, compared to 95,401 in third quarter 2016 and 51,654 in fourth quarter 2015. The three Betit brands had 74,262 active users in the fourth quarter, a decrease from 82,186 in the third quarter 2016.

In November, Betit's three brands, SuperLenny.com, Thrills.com and Kaboo.com migrated to GIG's iGamingCloud platform, and all of the Company's six brands now operates on the iGC platform. Activity tend to be impacted both before and after this type of migration and the three Betit brands naturally suffered somewhat from the migration that saw the change of both platform and payment gateway. Going forward the Company expects the Betit brands to greatly benefit from the opportunities offered by the iGC platform.

As a consequence of the Betit transaction, GIG reorganized its B2C operations to fully benefit from the possibilities to diversify product, marketing and target audience among its six brands. In November, Tomas Bäckman, previously CEO in Betit Group, was appointed CEO for GIG's new B2C organization. Having B2C Gaming administered under one dedicated leader will lead to more focus and improve resource utilisation, co-operation and collaboration within the business area.

In the fourth quarter, the Company signed a new long-term agreement with its largest supplier, Net Entertainment, effective from October 2016. The new agreement will see GIG benefit from improved rates and conditions on increased volumes.

United Kingdom Gambling Commission has issued MT SecureTrade Limited, a wholly owned subsidiary of Gaming Innovation Group (GIG), a combined remote operating license effective from 3 January 2017, licensing GIG to offer both casino and sportsbetting in the UK market. Entering large sports markets such as the UK is an important part of GIG's growth strategy. This licence



provides an attractive opportunity for GIG to also offer sports betting to UK based customers – both for GIG's own six brands as well as a growing number of white labels on the iGC platform. The Groups offer to its UK clients was previously limited to online casino.

TV campaigns continued during the quarter, resulting in total marketing expenses of EUR 7.3 million in the fourth quarter compared to EUR 5.2 million in the third quarter and EUR 3.8 million in the fourth quarter 2015. This represents 41 per cent of B2C revenues in fourth quarter, down from 47 per cent in third quarter 2016 and 78% in the fourth quarter 2015. Of the total marketing expenses, 57% was attributable to up front payments (incl. TV), while 43% are allocated revenue share agreements. GIG continues its focus on growth for its operators, and prioritize reinvesting revenues into marketing.

## B2B

*This segment includes Gaming Innovation Groups cloud based services (iGamingCloud) and digital marketing services (Innovation Labs) and sports trading (Gridmanager).*

| MEUR           | Q4 2016 | Q4 2015 | 2016  | 2015 |
|----------------|---------|---------|-------|------|
| <b>REVENUE</b> | 5.06    | 2.18    | 15.61 | 4.86 |
| <b>EBITDA</b>  | 2.54    | 1.10    | 6.87  | 2.27 |

Revenues for the B2B segment ended at EUR 5.1 million in the fourth quarter, a 17% increase over the previous quarter, and a 132% increase over fourth quarter 2015.

EBITDA ended at EUR 2.5 million, or an EBITDA margin of 50%. EBITDA was EUR 1.5 million in the previous quarter (32% margin) and EUR 1.1 million in the fourth quarter 2016 (50% margin). The B2B segment has limited cost of sales and marketing expenses.

### CLLOUD BASED SERVICES

GIG's cloud based platform services, iGamingCloud (iGC), continued its growth in the fourth quarter. In November, the three Betit brands migrated to the iGC platform in addition to one additional external operator. At the end of 2016 a total of 25 brands were operational on the platform, including the Company's own brands – compared to one external client at the start of 2016. Total database transactions increased 45% from 1.3 billion to 1.9 billion in the fourth quarter.

In December 2016, two new clients were signed, resulting in a total of 24 external clients signed. This exceeds the Company's target of 20 signed agreements by the end of 2016. Some clients operates more brands and including GIG's six brands xx brands will operate on the platform. Subsequent to year end 2016, one client went live in January 2017, two plan to go live in Q1 2017 and three in Q2 2017.

iGC has seen rapid increase in activity in 2016, and with additional clients going live month by month. To meet current demand, and capitalise on the opportunity to establish the Company as a large services provider for the sector, the Company has gone through a surge in staff count in 2016. Hiring activity decreased in Q4. The Company sees the hiring strategy as successful and is now focused on operational excellence going forward.

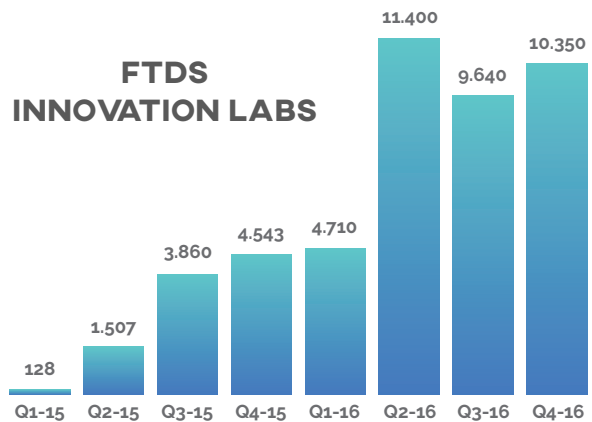
GIG obtained a Class 4 Remote Gaming License from the Malta Gaming Authority for its subsidiary BettingCloud Ltd. in December. This B2B supplier license allows the Company to supply its sports betting product to other licensed operators, and is a major milestone as the Company is now a fully licensed B2B gaming service provider for the Sportsbetting vertical. The first operator that was launched on the BettingCloud license was German facing operator Wetten.com, who signed an agreement with iGC earlier in 2016.

GIG continued to develop technology to produce proprietary odds through its subsidiary OddsModelAS, with a vision to be the leader in data driven odds. The technology will be commercialized in 2017 and will be integrated onto BettingCloud whom will then offer a range of services including odds feeds, content services, betting engine, risk management and trading tools. The solutions will be sold independently, and can be bundled seamlessly with GIG's iGamingCloud platform.

### DIGITAL MARKETING SERVICES

Innovation Labs achieved more than 10,350 new FTDs (First Time Depositor) referred to operators in the fourth quarter 2016, compared to 4,500 in the fourth quarter 2015 and 9,620 in the third quarter 2016. Of the new FTDs in the quarter, 20 per cent were referred to own brands, 16 per cent to iGC clients and the remaining 64 per cent to other operators.

For the full year 2016, 36,100 FTDs were referred, compared to 10,000 in 2015, 19 per cent were referred to own brands, 14 per cent to iGC clients and 67 per cent to other operators. The increase in referred FTDs in 2016 is a result of x% in organic growth and the acquisition of Delta Media and Magenti Media that were acquired in the second quarter 2016. The acquisitions made in 2015 and 2016 has significantly strengthen Innovation Labs' presence as an online traffic driver for the iGaming industry.



### STRATEGIC UPDATE & OUTLOOK

The Betit acquisition is now completed, and Betit's three brands were migrated late November and are now fully operational on GIG's iGC platform. A new GIG Gaming organization has been established for the B2C operations to better utilize resources among the Company's six brands. GIG also plan to launch a new brand in 2017 that will fully utilize the gamification and customer specific capabilities in the iGC platform. Marketing spend in 2016 has seen a strong ROI, especially for Rizk, and the Company sees opportunities to grow its brands through the use of this experience in 2017. The TV campaigns will expand to more countries and more brands, in addition to other marketing channels such as affiliates and digital. GIG is planning a strong growth in 2017 and given successful campaigns, operational profits may be

reinvested into marketing - to increase future growth and ROI, although hurting short term profits.

iGaming Cloud added on 21 new brands through 2016, and the remaining five external brands that are not in operations are expected to go live during the first half of 2017. GIG expects to sign more clients through 2017 and with expect overall growth on existing brands as well as new clients, revenue growth and increased profits are expected in 2017.

For the affiliate business in Innovation Labs, GIG expects a continued organic growth in referred FTDs and revenue through 2017. In addition, the Company are actively seeking new bolt on acquisitions that will benefit the current operations and increase FTDs and revenue.

Group remains optimistic with regards to its strategic, operational and financial development into 2017. Given the identified growth potential and the acquisitions made in 2016, the Company expects to continue its revenue growth and expect 2017 revenues to exceed EUR 120 million.

GIG has decided to discontinue its monthly updates. In the Company's opinion, the information is not properly reflecting the underlying development, as it gives a more a short-term focus on certain operational KPIs. GIG will continue to inform on specific events when they occur.

## FINANCIAL PERFORMANCE FOURTH QUARTER 2016 RESULTS

Consolidated revenues for Gaming Innovation Group (GIG) ended at EUR 21.50 million in the fourth quarter of 2016, a sequential increase of 48 per cent from the third quarter of 2016 (EUR 14.53 million), and an increase of 237 per cent compared with the fourth quarter of 2015 (EUR 6.38 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. Recently acquired gaming operator Betit was consolidated from 1 September 2016 and contributed with EUR 7.55 million to the fourth quarter revenues. Organic revenue growth for GIG excluding Betit was 17 per cent compared to third quarter 2016 and 118 per cent compared to fourth quarter 2015.

Cost of sales includes fees to game and payment suppliers, as well as gaming taxes and other variable expenses. In the fourth quarter 2016, cost of sales amounted to EUR 4.05 million, compared to EUR 2.49 in third quarter 2016 and EUR 1.30 in fourth quarter 2015.

Gross profit for the group ended at EUR 17.44 million during the fourth quarter 2016, a 45 per cent increase from EUR 12.04 million in the previous quarter and a 243 per cent increase from fourth quarter last year (EUR 5.08 million). Gross profit margin for the quarter came in at 81 per cent (80 per cent excluding Betit), compared to 83 per cent in third quarter 2016 and 80 per cent in corresponding quarter last year.

Marketing expenses were EUR 7.00 million in fourth quarter 2016, an increase from EUR 5.15 million in third quarter 2016 and EUR 3.77 million in fourth quarter 2015. Marketing expenses' amount of total revenues was 33 per cent during the period, compared to 35 per cent in the previous quarter and 59 per cent in fourth quarter 2015. Betit contributed EUR 3.30 million in marketing expenses in the fourth quarter. Marketing expenses comprises both up-front payments such as TV campaigns and CPA (cost per acquisition) as well as affiliate commissions. Due to extensive TV campaigns for the Company's brands, marketing expenses has increased during the recent 12 months. TV campaigns will continue in several markets in 2017.

Other operating expenses amounted to EUR 6.57 million in fourth quarter 2016, a 13 per cent increase compared with EUR 5.82 million in third quarter 2016, and 114 per cent from EUR 3.07 million in fourth quarter 2015. Operating expenses are mainly related to salaries, rent and general corporate expenses, and the increase is a result of increased activity and an increase in the number of employees from 377 to 397 during the quarter. The numbers includes full time consultants.

EBITDA for the fourth quarter 2016 ended at EUR 3.86 million, compared to EUR 1.07 million in third quarter 2016 and EUR -1.76 million in fourth quarter 2015.

Depreciation and amortization amounted to EUR 0.56 million in fourth quarter 2016, compared to EUR 0.44 million in third quarter 2016 and EUR 0.27 million in fourth quarter 2015, leaving an EBIT of EUR 3.31 million in fourth quarter 2016, compared to EUR 0.63 million in third quarter 2016 and EUR -2.02 in fourth quarter 2015.

Net other income was negative by EUR 0.57 million in fourth quarter 2016, mainly due to foreign exchange losses. Net other income was EUR -0.81 in third quarter 2016 and EUR 0.49 million in fourth quarter 2015.

Net result for the fourth quarter ended at EUR 2.50 million, compared to EUR -0.23 million in third quarter 2016, and EUR -1.53 million in fourth quarter 2015.

## FULL YEAR 2016

Consolidated revenues for the full year 2016 came in at EUR 53.61 million, a 202 per cent increase from EUR 17.75 million in 2015. Excluding Betit, the increase was 145 per cent. Cost of sales amounted to EUR 9.29 million in 2016, compared to EUR 4.04 million in 2015. Gross profit ended at EUR 44.32 million, up 223 per cent from EUR 13.71 million in 2015. Gross margin was 83% in 2016, compared to 77% in 2015.

Marketing expenses amounted to EUR 19.09 million in 2016 (36% of revenues), compared to EUR 7.67 million in 2015 (43% of revenues). The increase is mainly due to the TV marketing campaign, initiated in the second half of 2015 and continued through 2016. Other operating expenses amounted to EUR 19.41 million in 2016, compared to EUR 8.10 million in 2015. The higher operating expenses is a result of an overall increased activity and a higher number of employees. Included in operating expenses are non-recurring transaction expenses related to the acquisition of Betit of EUR 0.34 million.

EBITDA for 2016 ended at EUR 5.82 million (EUR 6.16 million adjusted), compared to EUR -2.06 million in 2015. Depreciation increased to EUR 1.47 million in 2016 from EUR 0.53 million in 2015. Depreciation includes EUR 0.40 in amortization resulting from the restatement of purchase price allocations as described in note 4 and 5. EBIT for 2016 ended at EUR 4.34 million (EUR 5.08 million adjusted for non-recurring transaction expenses and amortization from the restatements), compared to EUR -2.59 million in 2015.

Net other income was EUR -0.01 million in 2016, compared to EUR 0.86 million in 2015. Other income includes EUR 1.34 million in marked adjustment gain from derivative assets (EUR 0.52 million in 2015), see note 13. Net result ended at EUR 3.97 million in 2016, compared to EUR -1.76 million in 2015.

## CASH FLOW

The consolidated net cash flow from operational activities amounted to EUR -0.34 million for the fourth quarter 2016 (EUR -1.21 million in fourth quarter 2015). Operational cash flow for 2016 amounted to EUR 1.59 million (EUR -1.19 million in 2015).

The net cash flow from investments was EUR -1.06 million in fourth quarter 2016, (EUR -0.09 million in fourth quarter 2015). Cash flow from investments in 2016 amounted to EUR -4.3 million (EUR -1.60 million).

Net cash flow from financing activities was EUR -0.31 million in fourth quarter 2016, (EUR 1.83 million in fourth quarter 2015). Cash flow from financing activities for 2016 amounted to EUR 7.19 million (EUR 3.75 million).

Cash and cash equivalents decreased by EUR 2.27 million in fourth quarter 2016 (increased by EUR 0.45 million in fourth quarter 2015). For the full year 2016, cash and cash equivalents increased by EUR 3.94 million (EUR 0.81 million in 2015).

As of 31 December 2016, holdings of cash and cash equivalents amounted to EUR 6.04 million compared to EUR 2.09 million as of 31 December 2015. Cash holdings include EUR 2.25 million in fiduciary capacity, which is customer monies, whose use is restricted according to the Remote Gaming Regulations.

## FINANCIAL POSITION

As of 31 December 2016, GIG had total assets of EUR 127.94 million, including goodwill resulting from the acquisition of Betit of EUR 36.3 million (see note 4).

Net interest bearing debt as at 31 December 2016 was EUR 6.07 million, compared to EUR 3.57 million as at 31 December 2015.

## SHAREHOLDER MATTERS

During the fourth quarter, GIG's share price varied between NOK 3.00 and NOK 4.15. The closing price at 31 December 2016 was NOK 3.10. At the close of the previous quarter, the share price stood at NOK 3.97.

In October, an employee holding options exercised his right to buy 100,000 shares in Gaming Innovation Group Inc. at a share price of NOK 1.50 per share. GIG has transferred part of its treasury shares to the optionee, decreasing the holding of treasury shares to 7,865,000 as of 30 December 2016. After the exercise, 9,320,000 options were outstanding at 31 December 2016.

As of 31 December 2016, the total number of shares outstanding in GIG was 818,556,266 (par value USD 0.10), divided between approximately 3,600 shareholders.

Subsequent to year end 2016, the Board has approved an option plan for employees for up to 20,000,000 shares.



Options granted under the plan will have a six years term with 20% vesting after one year, 30% after two years and 50% after three years. A total of 10,275,000 options has 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 expires 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 last vesting date. The reason for this is to have terms coinciding for all employee options and to give further incentives for key employees to stay with the Company.

Also in 2017, an employee holding options exercised his right to buy 100,000 shares in Gaming Innovation Group Inc. at a share price of NOK 1.50. GIG transferred part of its treasury shares to the employee, decreasing its holding of treasury shares from to 7,765,000. After the grant and the exercise, 19,495,000 options are 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.

# GAMING INNOVATION GROUP INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

EUR - UNAUDITED

|   | Q4 2016     | Q4 2015     | 2016        | 2015        |
|---|-------------|-------------|-------------|-------------|
| <b>Revenues</b>   | 21 494 763  | 6 383 798   | 53 604 995  | 17 749 037  |
| Cost of sales   | 4 051 933   | 1 300 124   | 9 284 807   | 4 042 188   |
| <b>Gross profit</b>                                       | 17 442 830  | 5 083 674   | 44 320 188  | 13 706 849  |
| <b>Operating expenses</b>                                 |             |             |             |             |
| Marketing expenses  | 7 007 222   | 3 769 226   | 19 093 533  | 7 670 104   |
| Other operating expenses                                  | 6 573 915   | 3 070 836   | 19 410 802  | 8 098 858   |
| <b>Total operating expenses</b>                           | 13 581 137  | 6 840 062   | 38 504 335  | 15 768 962  |
| <b>EBITDA</b>   | 3 861 693   | -1 756 388  | 5 815 853   | -2 062 113  |
| Depreciation & amortization                               | 555 579     | 266 603     | 1 471 717   | 528 140     |
| <b>EBIT</b>   | 3 306 114   | -2 022 991  | 4 344 136   | -2 590 253  |
| Other income (expense)                                    | -568 040    | 152 869     | -1 349 374  | 337 265     |
| Unrealized gain on derivative asset                       | -           | 331 547     | 1 337 674   | 521 154     |
| <b>Result before income taxes</b>                         | 2 738 074   | -1 538 575  | 4 332 436   | -1 731 834  |
| Tax income/(expense)                                      | -250 630    | 8 962       | -363 842    | -31 438     |
| <b>Net results</b>  | 2 487 444   | -1 529 613  | 3 968 594   | -1 763 272  |
| Exchange differences on translation of foreign operations | -551 256    | -80 415     | -533 216    | -150 368    |
| Fair value movement in available for sale investment      | -           | -           | 125 702     | -           |
| <b>Total comprehensive income (loss)</b>                  | 1 936 188   | -1 610 028  | 3 561 080   | -1 913 640  |
| <b>Total comprehensive income (loss) attributable to:</b> |             |             |             |             |
| Owners of the Company                                     | 1 933 861   | -1 555 137  | 3 674 217   | -1 809 846  |
| Non-controlling interests                                 | 2 327       | -54 891     | -113 137    | -103 794    |
| <b>Total comprehensive income (loss)</b>                  | 1 936 188   | -1 610 028  | 3 561 080   | -1 913 640  |
| <b>Earnings per share attributable to GIG Inc:</b>        |             |             |             |             |
| Basic earnings (losses) per share                         | 0.00        | -0.00       | 0.01        | -0.00       |
| Diluted earnings (losses) per share                       | 0.00        | -0.00       | 0.01        | -0.00       |
| Weighted average shares outstanding                       | 811 517 353 | 487 705 952 | 629 595 518 | 405 056 147 |
| effect of dilutive shares                                 | 2 803 153   | -           | 2 513 622   | -           |
| Diluted weighted average shares outstanding               | 814 320 506 | 487 705 952 | 632 109 140 | 405 056 147 |

Previous financial statements has been restated due to reviewed purchase price allocations, see notes 4, 5 and 6.

# GAMING INNOVATION GROUP INC.

## CONDENSED STATEMENTS OF FINANCIAL POSITION

EUR - UNAUDITED

|   | 31 DEC 2016        | 31 DEC 2015       |
|---|--------------------|-------------------|
| <b>ASSETS</b>   |                    |                   |
| <b>NON-CURRENT ASSETS:</b>  |                    |                   |
| Goodwill  | 63 962 293         | 22 230 484        |
| Intangible assets   | 42 832 386         | 5 711 840         |
| Deposits and other non-current assets   | 2 433 986          | 1 426 611         |
| <b>Total non-current assets</b>   | <b>109 228 665</b> | <b>29 368 935</b> |
| <b>CURRENT ASSETS:</b>  |                    |                   |
| Prepaid and other current assets  | 147 790            | 159 805           |
| Derivative assets   | -                  | 1 365 780         |
| Trade and other receivables   | 12 532 195         | 3 474 238         |
| Cash and cash equivalents   | 6 035 177          | 2 091 721         |
| <b>Total current assets</b>   | <b>18 715 162</b>  | <b>7 091 544</b>  |
| <b>TOTAL ASSETS</b>   | <b>127 943 827</b> | <b>36 460 479</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                    |                   |
| <b>SHAREHOLDERS' EQUITY:</b>  |                    |                   |
| Share capital   | 71 639 353         | 43 410 350        |
| Share premium/reserves  | 32 997 302         | -13 390 849       |
| Retained earnings (deficit)   | 2 167 619          | -1 676 662        |
| <b>Total equity attributable to GIG Inc.</b>  | <b>106 804 274</b> | <b>28 342 839</b> |
| Non-controlling interests   | 5 957              | -102 156          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>   | <b>106 810 231</b> | <b>28 240 683</b> |
| <b>LIABILITIES:</b>   |                    |                   |
| Trade payables and accrued expenses   | 15 065 681         | 4 647 030         |
| Short term loans  | 3 406 994          | 2 031 391         |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>18 472 675</b>  | <b>6 678 421</b>  |
| Long term loans   | 2 660 921          | 1 541 375         |
| <b>TOTAL LIABILITIES</b>  | <b>21 133 596</b>  | <b>8 219 796</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <b>127 943 827</b> | <b>36 460 479</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>  |
| Exchange of shares of GIG Ltd. for GIG Inc.   | -                  | 22 232 286        |
| Sale of subsidiary interest   | -                  | 1 000 000         |
| Exercise of warrants  | -                  | 914 794           |
| Issuance of treasury shares in repayment of debt and purchase of affiliates                   | -                  | 672 627           |
| Issuance of shares for cash, in repayment of debt and purchase of subsidiaries and affiliates | 77 778 699         | 1 662 448         |
| Fair value movement in available for sale investments   | 125 702            | -                 |
| Share compensation expense/adjustment   | -66 777            | 123 775           |
| Non controlling interests   | -113 137           | -103 794          |
| Derivatives   | -2 703 454         | 844 626           |
| Exchange differences on translation of foreign operations                                     | -533 216           | -150 368          |
| Net results   | 4 081 731          | -1 659 478        |
| <b>EQUITY AT END OF PERIOD</b>  | <b>106 810 231</b> | <b>28 240 683</b> |

Previous financial statements has been restated due to reviewed purchase price allocations, see notes 4, 5 and 6.

# GAMING INNOVATION GROUP INC.

## CONDENSED STATEMENTS OF CASH FLOWS

| EUR - UNAUDITED  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Q4 2016           | Q4 2015           | 2016              | 2015              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                   |                   |                   |                   |
| Results before income taxes  | 2 738 074         | -1 538 575        | 4 332 436         | -1 731 834        |
| Adjustments to reconcile profit before tax to net cash flow:                         |                   |                   |                   |                   |
| Tax refund (expense)   | -250 630          | 8 962             | -363 842          | -31 438           |
| Depreciation and amortization  | 555 579           | 266 603           | 1 471 717         | 528 140           |
| Unrealized gain (loss) on derivative assets  | -                 | -331 547          | -1 337 674        | -521 154          |
| Other adjustments for non-cash items and changes in operating assets and liabilities | -3 380 658        | 389 507           | -2 508 848        | 567 542           |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                     | <b>-337 635</b>   | <b>-1 205 050</b> | <b>1 593 789</b>  | <b>-1 188 744</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                   |                   |                   |                   |
| Cash acquired on acquisition of a subsidiary undertaking                             | -                 | -                 | 1 454 477         | -                 |
| Purchases of property, plant and equipment   | -107 251          | -65 080           | -469 804          | -358 816          |
| Purchase of affiliates   | -                 | -                 | -3 910 792        | -                 |
| Cash flow from other investing activities  | -957 515          | -25 932           | -1 379 008        | -1 245 213        |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>   | <b>-1 064 766</b> | <b>-91 012</b>    | <b>-4 305 127</b> | <b>-1 604 029</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                   |                   |                   |                   |
| Proceeds from Issuance of shares   | -                 | -                 | 4 692 861         | 145 047           |
| Proceeds from loans  | 1 463 783         | 1 878 608         | 6 418 959         | 4 360 645         |
| Repayment of loans   | -1 778 434        | -52 944           | -3 923 810        | -752 944          |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                                     | <b>-314 651</b>   | <b>1 825 664</b>  | <b>7 188 010</b>  | <b>3 752 748</b>  |
| Translation loss   | -551 256          | -80 415           | -533 216          | -150 368          |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | <b>-2 268 308</b> | <b>449 187</b>    | <b>3 943 456</b>  | <b>809 607</b>    |
| Cash and cash equivalents - beginning  | 8 303 485         | 1 642 534         | 2 091 721         | 1 282 114         |
| <b>CASH AND CASH EQUIVALENTS - END</b>   | <b>6 035 177</b>  | <b>2 091 721</b>  | <b>6 035 177</b>  | <b>2 091 721</b>  |

Previous financial statements has been restated due to reviewed purchase price allocations, see notes 4, 5 and 6.

# GAMING INNOVATION GROUP INC.

## SELECTED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDING 31 DECEMBER 2016 AND 2015

### 1. GENERAL INFORMATION

Gaming Innovation Group Inc. (formerly Nio Inc.), ("GIG" or the "Company") is a US corporation incorporated in the state of Delaware and traded on the Oslo Stock Exchange with the ticker symbol "GIG". Gaming Innovation Group Limited ("Limited") is incorporated and domiciled in Malta, having a registered office at GB Buildings Penthouse, Watar Street, Ta' Xbiex, XBX 1301.

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

Pursuant to a reverse merger transaction consummated effective 17 June 2015, Limited became a wholly-owned subsidiary of GIG. In connection with the reverse merger, Nio Inc. changed its name to Gaming Innovation Group, Inc. The transaction resulted in the shareholders of Limited owning approximately 64% of GIG's post-transaction outstanding shares. Accordingly, although GIG is the legal parent, Limited is treated as the accounting acquiror and parent. According to reverse acquisition accounting Limited valued the Company's net outstanding 148,099,952 shares at their market price on the closing of the merger transaction, NOK 1.16 (EUR 0.133). These are the shares Limited is deemed to have issued to effect the merger. The aggregate fair value of these shares was EUR 19,697,294 and the fair value of the Company's assets net of its liabilities have been determined to be equivalent to their carrying values EUR -2,529,911, resulting in goodwill of EUR 15,877,635 and intangibles of EUR 6,349,570. The sellers received 290,000,000 shares and were entitled to a variable consideration of up to a maximum of 125 million earn-out shares, provided that Limited reached certain revenue targets in 2015 and 2016. Based on Limited's audited financial statements for 2015, 47,900,000 shares were issued in May 2016 based on 2015 performance. In addition, the Company expects to issue 77,100,000 earn out shares the second quarter of 2017 based on the preliminary 2016 results.

In addition to the above described reverse merger, the Company entered into a series of acquisitions in 2015 and 2016 (see Note 4). The condensed consolidated financial statements of the Company as at and for the periods ended 31 December 2016 and 2015 are comprised of Limited, and its accounting basis subsidiaries: GIG, Candid Gaming Ltd ("Candid") and Gridmanager Ltd ("Grid") (corporations registered in Malta), GE Online Ltd ("Online") (a corporation registered in Gibraltar) and Les Encheres Bidou Inc. ("Bidou") (a corporation registered in Canada), MT Secure Trade Ltd, ("Secure") Innovation Labs Ltd, ("Labs") iGaming Cloud Ltd., ("iGC") BettingCloud Ltd. (formerly Gaming Exchange Ltd.) ("Exchange"), Zecure Gaming Limited (Zecure)

(corporations registered in Malta), Spaseeba AS ("Spaseeba") (a corporation registered in Norway), NV SecureTrade Ltd ("Trade") and iGamingCloud NV ("Cloud") (corporations registered in Curacao), Online Performance Marketing Ltd. (Performance) and Downright Marketing Ltd. ("Downright") (corporations registered in British Virgin Islands), iGamingCloud Services SLU ("SLU") (a corporation registered in Spain), and Oddsmodel AS ("OM") (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) 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 December 2016 and 2015 have not been audited by the Company's auditors.

These unaudited interim condensed financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The condensed consolidated financial statements report the full year of operations of 2016 and 2015 of Gaming Innovation Group Inc. and subsidiaries, Oddsmodel from May 2016, four months of activities at 100% of IGC from September to December 2016 (previously owned 90%) and four months of activities of Betit from September to December 2016 along with activities for the four GIG subsidiaries noted below for the period 17 June to 31 December 2015 and the full year of 2016 based on the fact that Limited has been determined to be the accounting acquiror and GIG has been determined to be the accounting acquiree.

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

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 December 2016 and 2015 are consistent with those used in preparing the Company's consolidated financial statements as of and for the year ended 31 December 2015.

#### REVENUE RECOGNITION POLICY

Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Company's activities. The Company recognizes revenue, including other operating revenue, when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met as described below.

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

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

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

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

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

### 4. ACQUISITIONS

In April 2016, the Company completed the acquisition of affiliate network assets from Delta Markets N.V. for a total consideration of EUR 4,200,000. An amount of EUR 2,940,000 was settled in cash with the remaining consideration settled through the issuance of 4,336,314 new shares. The market value of the new shares in GIG as at the date of the purchase agreement was EUR 1,260,000. The acquired affiliate accounts (customer base) amounted to around EUR 630,000 and the ongoing amortization will impact the group's net income for a period of five years. The balance of the acquisition was allocated to domains in the amount of around EUR 3,364,000.

In May 2016, the Company completed the acquisition of affiliate network assets from Magenti Media for a total consideration of SEK 47,500,000. An amount of SEK 13,500,000 was settled in cash with the remaining consideration settled through the issuance of 8,960,000 new shares. The market value of the new shares as at the date of the purchase agreement was EUR 3,619,205. The acquired affiliate accounts (customer base) amounted to around EUR 736,000 and the ongoing amortization will impact the group's net income for a period of five years. The balance of the acquisition was allocated to domains in the amount of around EUR 4,431,000.

Also, in May 2016, the Company completed the acquisition of OddsModel AS, a sports betting technology company which has for several years developed software used for automated and manual pricing of global betting markets. The company produces data utilized to generate real-time pricing of Pre-Match and In-Play sports events through the use of quantitative methods and proprietary analytical models. The acquisition created commercial, operational and technological synergies. 21,739,000 new shares of the Company's common stock were issued as payment for the purchase. The market value of the new shares in GIG as at the date of the purchase agreement was EUR 8,585,700. The acquired technology platform amounted to around EUR 2,114,000 and the ongoing amortization will impact the group's net income for a period of three year and the balance of around EUR 6,448,000 was allocated to goodwill.

## Betit Holdings Ltd and Minority interest in iGaming Cloud Ltd.

In September 2016, the Company completed the acquisition of 100 percent of the shares of a gaming company Betit Holdings Ltd. ("Betit") along with the reacquisition of 10% minority interest in IGC. 153,500,000 new shares of the Company's common stock were issued as payment for the purchase of Betit and 56,500,000 for the purchase of IGC, valued at EUR 54,376,945 and EUR 20,014,967 respectively. The acquired customer base amounts to EUR 1,492,355 and the ongoing amortization will impact the group's net income for a period of three years. The Ransom platform is valued at EUR 282,300 and will be amortized over 5 years. Brands are valued at EUR 19,517,722 are deemed to have indefinite useful life. Goodwill of EUR 40,181,162 is attributable to the acquired trademarks and synergies referring to the development of the Ransom platform. The reacquisition in the 10% minority interest in IGC for EUR 20,014,967 was allocated to the acquisition of Betit for EUR 5,515,000 with a balance of EUR 14,615,431 recorded as a decrease in equity attributable to owners of the parent.

### CONSIDERATION:

|                                       |                    |
|---------------------------------------|--------------------|
| <b>EQUITY INSTRUMENTS ISSUED</b>      | <b>153,500,000</b> |
| <b>CONSIDERATION PRICE (EUR 1000)</b> | <b>54,377</b>      |

### ASSET VALUATION:

|                                   |               |
|-----------------------------------|---------------|
| <b>CASH AND CASH EQUIVALENTS</b>  | <b>1,404</b>  |
| <b>CURRENT ASSETS</b>             | <b>3,774</b>  |
| <b>NON CURRENT ASSETS</b>         | <b>315</b>    |
| <b>LIABILITIES</b>                | <b>-6,819</b> |
| <b>RANSOM PLATFORM</b>            | <b>282</b>    |
| <b>BRANDS VALUE</b>               | <b>17,623</b> |
| <b>CUSTOMER DATABASE</b>          | <b>1,489</b>  |
| <b>ASSET VALUATION (EUR 1000)</b> | <b>18,068</b> |
| <b>GOODWILL</b>                   | <b>36,309</b> |

The acquired operations of Oddsmodel and Betit contributed EUR 7.5 million to GIG's revenues, and EUR 0.4 million loss to GIG's net profit in fourth quarter 2016. The tables show how the acquisitions have contributed to GIG in 2016:

| Q4 2016 (EUR 1000) | GIG EXCL. ODDSMODEL AND BETIT | ODDS-MODEL | BETIT | GIG    |
|--------------------|-------------------------------|------------|-------|--------|
| REVENUE            | 13,999                        | -          | 7,496 | 21,495 |
| EBITDA             | 3,903                         | -460       | 418   | 3,861  |
| EBIT               | 3,397                         | -460       | 369   | 3,306  |
| NET RESULTS        | 2,839                         | -460       | 108   | 2,487  |

| 2016 (EUR 1000) | GIG EXCL. ODDSMODEL AND BETIT | ODDS-MODEL | BETIT  | GIG    |
|-----------------|-------------------------------|------------|--------|--------|
| REVENUE         | 43,523                        | -          | 10,082 | 53,605 |
| EBITDA          | 6,230                         | -853       | 438    | 5,816  |
| EBIT            | 4,825                         | -853       | 372    | 4,344  |
| NET RESULTS     | 5,070                         | -853       | 115    | 4,332  |

GIG if Oddsmodel and Betit had been acquired before 1 January 2016:

| 2016 (EUR 1000) | GIG EXCL. ODDSMODEL AND BETIT | ODDSMODEL-EL | BETIT  | GIG    |
|-----------------|-------------------------------|--------------|--------|--------|
| REVENUE         | 43,523                        | 82           | 30,660 | 74,265 |
| EBITDA          | 6,230                         | -858         | -792   | 4,580  |
| EBIT            | 5,162                         | -858         | -1,001 | 3,304  |
| NET RESULTS     | 5,043                         | -858         | -1,224 | 2,962  |

## 5. GOODWILL AND INTANGIBLES

Under IFRS 3, goodwill is the excess of consideration paid in a business combination over the fair value of the net tangible and intangible assets acquired. Pursuant to reverse acquisition accounting, Limited has valued the Company's net outstanding 148,099,952 shares at their market price on the closing of the merger transaction, NOK 1.16 (EUR 0.133). These are the shares Limited is deemed to have issued to effect the merger. The aggregate fair value of these shares was EUR 19,697,294 and the fair value of the Company's assets net of its liabilities have been determined to be equivalent to their carrying values EUR -2,529,911, resulting in goodwill of EUR 22,227,205. This goodwill has been allocated by management to identifiable intangibles totaling EUR 6,349,570 with the balance of EUR 15,688,635 as goodwill. The above allocation process was completed during the fourth quarter 2016, see below for the breakdown of intangibles identified.

### CONSIDERATION:

|                                       |                    |
|---------------------------------------|--------------------|
| <b>EQUITY INSTRUMENTS ISSUED</b>      | <b>148,099,952</b> |
| <b>CONSIDERATION PRICE (EUR 1000)</b> | <b>19,697</b>      |

### ASSET VALUATION:

|                                   |               |
|-----------------------------------|---------------|
| <b>CASH AND CASH EQUIVALENTS</b>  | <b>95</b>     |
| <b>CURRENT ASSETS</b>             | <b>528</b>    |
| <b>LIABILITIES</b>                | <b>-3,154</b> |
| <b>INTANGIBLES</b>                | <b>190</b>    |
| <b>BRANDS</b>                     | <b>6,350</b>  |
| <b>ASSET VALUATION (EUR 1000)</b> | <b>4,009</b>  |
| <b>GOODWILL</b>                   | <b>15,688</b> |

In May, 2015 the Company completed the acquisition of Spaseeba AS. The shares issued as consideration have valued at their market price on the closing of the transaction and the aggregate fair market value of these shares was EUR 3,589,891. In the fourth quarter 2016, the Company has reassessed the purchase and allocated around EUR 862,000 to affiliate accounts (customer base) with a 5 year expected lifetime and the balance of around 2,728,000 to domains.

In Q3 2015, the Company acquired the assets of two affiliate networks (Joonas & Adarma) including a large amount of websites with guides and quality content for the gaming industry and existing portfolios of affiliate accounts with partnering operators.

In the fourth quarter 2016, the Company has reassessed these purchases and allocated EUR 702,018 to affiliate accounts (customer base) with a 5 year expected lifetime and the balance of EUR 897,112 to domains.

As of 31 December 2016, management does not believe any impairment of goodwill has occurred.

| EUR 1000   | GOODWILL | DOMAINS | PLATFORM | CUSTOMER DATA-BASE | COMPUTER SOFTWARE | TOTAL   |
|--|----------|---------|----------|--------------------|-------------------|---------|
| BALANCE 1 JANUARY 2015                                 | -        | 171     | -        | -                  | 354               | 525     |
| INTERNALLY DEVELOPED DOMAINS & SOFTWARE                | -        | -       | 296      | -                  | -                 | 296     |
| ADDITIONS  | 3        | 66      | -        | -                  | 22                | 91      |
| <i>ASSETS, ACQUISITIONS AND BUSINESS COMBINATIONS:</i> |          |         |          |                    |                   |         |
| BETSPIN  | 15,688   | 6,350   | 190      | -                  | -                 | 22,228  |
| SPASEEBA   | -        | 2,728   | -        | 862                | -                 | 3,590   |
| AFFILIATE ASSETS AMORTIZATION CHANGE                   | -        | 897     | -        | 702                | -                 | 1,599   |
|  | -        | -8      | -169     | -176               | -34               | -387    |
| BALANCE 31 DEC 2015                                    | 15,691   | 10,204  | 317      | 1,388              | 342               | 27,942  |
| INTERNALLY DEVELOPED SOFTWARE & DOMAINS                | -        | -       | 882      | -                  | -                 | 882     |
| ADDITIONS  | -        | 40      | -        | -                  | 296               | 336     |
| <i>ASSETS, ACQUISITIONS AND BUSINESS COMBINATIONS:</i> |          |         |          |                    |                   |         |
| DELTA AFFILIATE  | -        | 3,364   | -        | 630                | -                 | 3,994   |
| MAGENTI AFFILIATE                                      | -        | 4,431   | -        | 736                | -                 | 5,167   |
| ODDSMODEL  | 6,448    | -       | 2,114    | -                  | -                 | 8,562   |
| BETIT  | 41,823   | 17,624  | 282      | 1,489              | -                 | 61,218  |
| EXCHANGE DIFFERENCES                                   | -        | -142    | -        | -                  | -                 | -142    |
| AMORTIZATION CHANGE                                    | -        | -       | -402     | -597               | -165              | -1,164  |
| BALANCE 30 SEP 2016                                    | 63,962   | 35,521  | 3,193    | 3,646              | 473               | 106,795 |

## 6. DERIVATIVE ASSETS

In June 2015, Limited sold 10% interest in its subsidiary IGC for EUR 1,000,000. The agreement called for an option to Limited to buy back the interest in return for cash or shares of GIG and an option for the buyer to sell the shares back to Limited in return for shares of GIG based on certain formulas using 2017 revenues of GIG. On August 30 2016, GIG acquired the 10% interest in IGC in return for the issuance of 56,500,000 shares of GIG. This re-acquisition cancelled both buyer and seller option agreements available.

The Company has valued the derivative options at a net value of EUR 844,626 which was recorded through equity in June 2015, subsequently the Company recorded a mark to market adjustment based on the valuation of the derivative at each quarter end. Such mark to market adjustments have been recorded as other income/loss until the consummation of the above transaction on August 30, 2016

## 7. 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.

| Q4 2016 (EUR 1000) | B2C    | B2B   | EIMINATIONS | TOTAL  |
|--------------------|--------|-------|-------------|--------|
| REVENUE            | 17,927 | 5,060 | -1,492      | 21,495 |
| COST OF SALES      | 4,935  | 127   | -1,010      | 4,052  |
| MARKETING COST     | 7,291  | 197   | -481        | 7,007  |
| EBITDA             | 1,317  | 2,545 | -           | 3,862  |
| EBIT               | 1,122  | 2,184 | -           | 3,306  |

| 2016 (EUR 1000) | B2C    | B2B    | EIMINATIONS | 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            | -1,566 | 5,910  | -           | 4,344  |

| Q4 2015 (EUR 1000) | B2C    | B2B   | EIMINATIONS | TOTAL  |
|--------------------|--------|-------|-------------|--------|
| REVENUE            | 4,840  | 2,180 | -636        | 6,384  |
| COST OF SALES      | 1,866  | -     | -566        | 1,300  |
| MARKETING COST     | 3,760  | 79    | -70         | 3,769  |
| EBITDA             | -2,853 | 1,097 | -           | -1,756 |
| EBIT               | -2,948 | 925   | -           | -2,023 |

| 2015 (EUR 1000) | B2C    | B2B   | EIMINATIONS | TOTAL  |
|-----------------|--------|-------|-------------|--------|
| REVENUE         | 14,432 | 4,856 | -1,539      | 17,749 |
| COST OF SALES   | 5,166  | -     | -1,124      | 4,042  |
| MARKETING COST  | 7,821  | 264   | -415        | 7,670  |
| EBITDA          | -4,331 | 2,269 | -           | -2,062 |
| EBIT            | -4,496 | 1,906 | -           | -2,590 |

## 8. 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.

## 9. CHANGES IN EQUITY

In January 2015, the Company purchased the minority interest



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

Pursuant to a reverse merger agreement the sellers are entitled to a variable consideration of up to a maximum of 125 million earn-out shares, provided that Limited reached certain revenue targets. Based on Limited's audited financial statements for 2015, 47,900,000 shares were issued in May 2016 based on 2015 performance. The Company recorded the issue for EUR 4,273,528 in a credit to common stock and a debit to paid in capital.

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

In April, 2016 the Company completed the acquisition of affiliate network assets from Delta Markets N.V. for a total consideration of EUR 4,200,000 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 OddsModel AS, 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 December 2016, the Company owned 7,865,000 treasury shares.

## 10. LOANS PAYABLE SHAREHOLDERS

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

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

|   | TREASURY<br>SHARES | COMMON<br>STOCK<br>ISSUED | COMMON<br>STOCK OUT-<br>STANDING | COMMON<br>STOCK<br>AMOUNT | SHARE<br>PREMIUM/<br>ADJUSTMENT | NON CON-<br>TROLLING<br>INTEREST | TRANS-<br>LATION<br>RESERVE | RETAINED<br>EARNINGS<br>(DEFICIT) | TOTAL<br>EQUITY |
|---|--------------------|---------------------------|----------------------------------|---------------------------|---------------------------------|----------------------------------|-----------------------------|-----------------------------------|-----------------|
| <b>BALANCE AT 1 JANUARY 2016</b>                                      | 9,415              | 502,121                   | 492,706                          | 43,410                    | -13,056                         | -102                             | -140                        | -1,872                            | 28,241          |
| <b>ISSUANCE OF SHARES</b>   | -1,450             | 23,000                    | 24,450                           | 2,146                     | 2,477                           | -                                | -                           | -                                 | 4,623           |
| <b>EXERCISE OF OPTIONS</b>  | -100               | 500                       | 600                              | -                         | 86                              | -                                | -                           | -                                 | 86              |
| <b>EARN OUT SHARES ISSUED</b>   | -                  | 47,900                    | 47,900                           | 4,274                     | -4,274                          | -                                | -                           | -                                 | -               |
| <b>PURCHASES OF COMPANIES</b>   | -                  | 245,035                   | 245,035                          | 21,809                    | 51,081                          | 221                              | -                           | -43                               | 73,069          |
| <b>CHANGE IN VALUE OF AVAILABLE<br/>FOR SALE FINANCIAL ASSETS</b>     | -                  | -                         | -                                | -                         | 126                             | -                                | -                           | -                                 | 126             |
| <b>SHARE COMPENSATION EXPENSE</b>                                     | -                  | -                         | -                                | -                         | -67                             | -                                | -                           | -                                 | -67             |
| <b>DERIVATIVES</b>  | -                  | -                         | -                                | -                         | -2,703                          | -                                | -                           | -                                 | -2,703          |
| <b>NET RESULTS</b>  | -                  | -                         | -                                | -                         | -                               | -113                             | -                           | 4,082                             | 3,969           |
| <b>EXCHANGE DIFFERENCES ON<br/>TRANSLATING<br/>FOREIGN OPERATIONS</b> | -                  | -                         | -                                | -                         | -                               | -                                | -533                        | -                                 | -533            |
| <b>BALANCE AT 31 DECEMBER 2016</b>                                    | 7,865              | 818,556                   | 810,691                          | 71,639                    | 33,670                          | 6                                | -673                        | 2,167                             | 106,810         |

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

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

In March 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.

In July 2016, the revolving loan facility of NOK 9,700,000 entered into by the Company in December 2015 was increased to NOK 19,200,000. All terms and conditions in the revolving loan facility remained the same.

Short-term loans outstanding balances at 31 December 2016 and 2015 were EUR 3,406,994 and 2,031,391, respectively with accrued interest of EUR 15,386 and EUR 114,261, respectively. Long term loans outstanding balances at 31 December 2016 and 2015 were EUR 2,660,921 and EUR 1,541,375, respectively with accrued interest of EUR 0 and EUR 6,987, respectively. The weakening of the NOK towards the EUR during the quarter has resulted in a foreign exchange gain of approximately EUR 469,000

## 11. RELATED PARTY TRANSACTIONS

Andre Lavold was appointed as board member in GIG on 31 August 2016. Lavold is a shareholder in Optimizer Invest Ltd., the previous main shareholder in Betit. Optimizer Invest received 131,173,297 shares in GIG in connection with GIG's acquisition of Betit.

Close associates of Christopher Langeland, board member and primary insider of GIG up until 10 May 2016, owned 46% of OddsModel AS and received 10,060,200 new GIG shares on 20 May 2016.

There were no other material related parties' transactions in the fourth quarter of 2016 than reported above in Note 10.

## 12. SUBSEQUENT EVENTS

There have been no material subsequent events after 31 December 2016.

## 13. PRIOR PERIOD ADJUSTMENTS

The Company has made adjustments to previously reported results.

In connection with the reverse merger with Limited, the Company has reallocated EUR 190,000 from the value assigned to domains to front end intangibles.

The Company recognized derivative assets in connection with the sale of the 10% interest in IGC in June 2015. Such assets were valued at EUR 844,626 at the date of sale which was recorded through equity. Subsequently, the Company adjusted the value of such derivative assets to market value at the end of each quarter until August 30, 2016, the date when the Company reacquired the 10% interest in IGC and the options were cancelled.

In connection with various acquisitions of affiliate assets, the Company has reallocated certain amounts from domain intangibles to affiliate accounts (customer base).

In conjunction with the acquisition of Betit and 10% minority interest in IGC for 210,000,000 shares, the Company reallocated EUR 5,515,000 of share value issued to IGC minority share owners to Betit goodwill

| CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AS PREVIOUSLY REPORTED | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 | 2015   |
|--|---------|---------|---------|---------|---------|---------|---------|--------|
| REVENUES   | 2,822   | 3,711   | 4,832   | 6,384   | 7,886   | 9,691   | 14,533  | 17,749 |
| GROSS PROFIT   | 1,886   | 2,796   | 3,941   | 5,084   | 6,592   | 8,247   | 12,038  | 13,707 |
| OPERATING EXPENSES   | 2,264   | 2,724   | 3,941   | 6,840   | 6,664   | 7,289   | 10,970  | 15,769 |
| EBITDA   | -378    | 72      | -0      | -1,756  | -72     | 958     | 1,068   | -2,062 |
| DEPRECIATION AND AMORTIZATION  | 33      | 47      | 74      | 178     | 104     | 178     | 279     | 333    |
| EBIT   | -411    | -3      | -75     | -1,935  | -176    | 780     | 789     | -2,395 |
| OTHER INCOME (EXPENSES)  | -869    | 850     | 203     | -153    | -157    | 26      | -650    | 337    |
| RESULTS BEFORE INCOME TAXES  | 14      | -51     | -3      | 9       | 0       | -58     | -139    | -2,058 |
| NET RESULTS  | -1,266  | 824     | 125     | -1,773  | -333    | 747     | 84      | -2,089 |

| RESTATEd CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 | 2015   |
|--|---------|---------|---------|---------|---------|---------|---------|--------|
| REVENUES   | 2,812   | 3,711   | 4,832   | 6,384   | 7,886   | 9,691   | 14,533  | 17,749 |
| GROSS PROFIT   | 1,888   | 2,796   | 3,941   | 5,084   | 6,592   | 8,247   | 12,038  | 13,707 |
| OPERATING EXPENSES                                       | 2,264   | 2,724   | 3,941   | 6,840   | 6,664   | 7,289   | 10,970  | 15,769 |
| EBITDA   | -376    | 72      | -0      | -1,756  | -72     | 958     | 1,068   | -2,062 |
| DEPRECIATION AND AMORTIZATION                            | 34      | 75      | 153     | 267     | 192     | 288     | 436     | 528    |
| EBIT   | -410    | -3      | 153     | -2,023  | -264    | 670     | 632     | -2,590 |
| OTHER INCOME (EXPENSES)                                  | -869    | 850     | 203     | 153     | -157    | 26      | -650    | 337    |
| UNREALIZED GAIN (LOSS) ON DERIVATIVE ASSET               | -       | -       | 190     | 332     | 1,622   | -124    | -160    | 521    |
| RESULTS BEFORE INCOME TAXES                              | -1,280  | 847     | 240     | -1,539  | 1,201   | 572     | -178    | -1,731 |
| NET RESULTS  | -1,266  | 796     | 236     | -1,530  | 1,201   | 514     | -233    | -1,763 |

| CONDENSED CONSOLIDATED BALANCE SHEET AS PREVIOUSLY REPORTED | 31.03.2015 | 30.06.2015 | 30.09.2015 | 31.12.2015 | 31.03.2016 | 30.06.2016 | 30.09.2016 |
|---|------------|------------|------------|------------|------------|------------|------------|
| NON-CURRENT ASSETS  | 962        | 27,901     | 29,628     | 29,564     | 29,479     | 47,366     | 103,828    |
| CURRENT ASSETS  | 2,247      | 4,059      | 4,067      | 5,726      | 10,004     | 10,068     | 19,352     |
| TOTAL ASSETS  | 3,209      | 31,960     | 33,695     | 35,290     | 39,483     | 57,434     | 123,180    |
| EQUITY  | 2,432      | 26,996     | 28,837     | 27,070     | 31,177     | 45,435     | 99,771     |
| TOTAL LIABILITIES   | 777        | 4,964      | 4,858      | 8,220      | 8,286      | 11,999     | 23,409     |
| TOTAL LIABILITIES AND EQUITY                                | 3,209      | 31,960     | 33,695     | 35,290     | 39,483     | 57,434     | 123,180    |

| RESTATEd CONDENSED CONSOLIDATED BALANCE SHEET | 31.03.2015 | 30.06.2015 | 30.09.2015 | 31.12.2015 | 31.03.2016 | 30.06.2016 | 30.09.2016 |
|---|------------|------------|------------|------------|------------|------------|------------|
| DERIVATIVE ASSET                              | -          | 845        | 1,034      | 1,365      | 2,987      | 2,864      | -          |
| OTHER NON-CURRENT ASSETS                      | 962        | 27,901     | 29,628     | 29,564     | 29,196     | 46,973     | 103,278    |
| CURRENT ASSETS                                | 2,247      | 4,059      | 4,067      | 5,726      | 10,004     | 10,068     | 19,352     |
| TOTAL ASSETS                                  | 3,209      | 32,805     | 34,729     | 36,655     | 42,187     | 59,905     | 122,630    |
| EQUITY  | 2,432      | 27,841     | 29,871     | 28,436     | 33,882     | 47,906     | 99,221     |
| TOTAL LIABILITIES                             | 777        | 4,964      | 4,858      | 8,305      | 8,305      | 11,999     | 23,409     |
| TOTAL LIABILITIES AND EQUITY                  | 3,209      | 32,805     | 34,729     | 36,655     | 42,187     | 59,905     | 122,630    |



**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)