Q4 2017 INTERIM REPORT

13 FEB 2018

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GAMING INNOVATION GROUP INC.

Q4 2017 INTERIM REPORT

Key Figures

MEUR	Q4 2017	Q4 2016	2017	2016
REVENUE	39.9	21.5	120.4	53.6
GROSS PROFIT	33.4	17.4	99.9	44.3
MARKETING EXPENSES	13.1	7.0	47.1	19.1
OPERATING EXPENSES	12.4	6.6	40.3	19.4
EBITDA	7.9	3.9	12.5	5.8

HIGHLIGHTS

- The Company's best quarter ever with revenues of EUR 39.9 million, a 29% increase over Q3 (25% organic) and 86% over Q4 2016 (67% organic)
- Driven by strong revenue growth across Gaming, Media and Core services, EBITDA was all time high with EUR 7.9 million, a 159% increase over Q3, and 104% over Q4 2016
- Full year revenues were EUR 120.4 million, 125% up from 2016 with an EBITDA of EUR 12.5 million (+115%)
- Major breakthrough for GiG Core, winning the highly competitive tender of one of the world's most recognisable brands: Hard Rock International. GiG will service the leisure groups digital gaming division with its platform and front-end solutions for casino
- In the process to enter a regulated US market and has passed an application for the certification of the platform with the New Jersey Gaming Authority
- GiG Gaming successfully launched Highroller.com as a consumer brand and gaming site, beating internal forecasted revenues and KPIs
- GiG Media referred 35,200 FTDs to GiG's own and external brands in Q4, up 21% over the previous quarter
- 34 brands operational on GiG Core in Q4 including GiG's own brands
- The Company has launched a developed vision and management structure to enable the continued rapid growth of the business
- The Company completed its new headquarters and campus in Malta: @GiG Beach

GAMING INNOVATION GROUP
Q4 2017 INTERIM REPORT

FINANCIAL HIGHLIGHTS

Gaming Innovation Group Inc. (GiG) continued to grow strongly across all its business areas in the fourth quarter 2017. Consolidated revenues ended at all time high EUR 39.9 million, a 86% increase from the fourth quarter 2016 (EUR 21.5 million).

Gross profit for the group was EUR 33.4 million in the fourth quarter, a 92% increase over fourth quarter last year (EUR 17.4 million). Gross profit margin for the quarter came in at 84%, compared with 81% in the corresponding quarter last year.

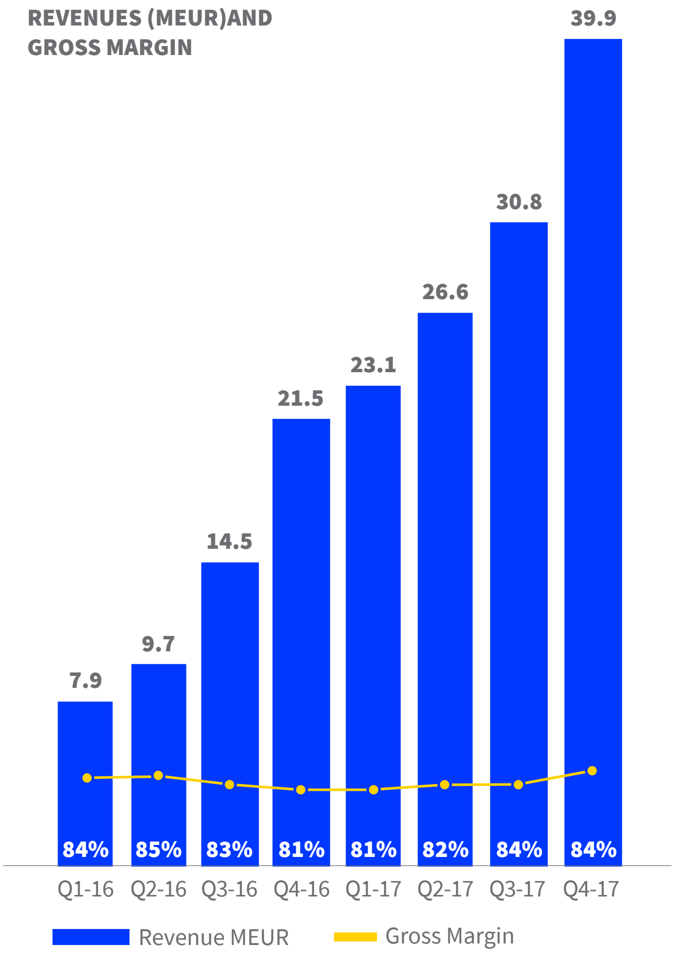
Marketing expenses were EUR 13.1 million in the fourth quarter 2017, an 87% increase from EUR 7.01 million in the fourth quarter 2016. Marketing expenses' share of total revenues was 33% both in the fourth quarters 2017 and 2016. Other operating expenses amounted to EUR 12.4 million in the quarter, an 89% increase from EUR 6.6 million in fourth quarter 2016.

EBITDA for the fourth quarter 2017 was EUR 7.9 million, a 104% improvement from EUR 3.9 million in the fourth quarter 2016.

Depreciation and amortization amounted to EUR 4.3 million in the fourth quarter 2017, compared with EUR 1.07 million in the fourth quarter 2016. Depreciation and amortization expenses are mainly related to amortization of the affiliate acquisitions completed over the last three years.

EBIT came in at EUR 3.6 million in the fourth quarter 2017, compared to EUR 2.8 million in the fourth quarter 2016.

Net other income was EUR 0.1 million in the fourth quarter 2017, compared to EUR -0.6 million in the fourth quarter 2016. The net result for the fourth quarter was EUR 2.8 million, up from EUR 1.8 million in the fourth quarter 2016.



OPERATIONAL HIGHLIGHTS

GiG Core had a major breakthrough winning the highly competitive tender of one of the world's most recognisable brands: Hard Rock. GiG will service the leisure group's digital gaming division with platform and front-end solutions for casino. Through the partnership with Hard Rock, the Company is in the process to enter regulated USA and has submitted an application for the certification of the platform with the New Jersey Gaming Authority.

GiG Gaming successfully launched its new consumer brand and gaming site Highroller.com through a digital only campaign. The state of the art product proved extremely popular amongst end users and the launch has beaten internal forecasted revenues and KPIs.

The fourth quarter saw continued growth in both deposits and revenues for GiG Gaming which operations are focused on core markets in the Nordics, UK & Ireland and Central Europe.

Development of new offerings within Sports and Games are moving ahead according to plan, expecting revenue contribution in 2018.

GIG'S ECO-SYSTEM EXPLAINED

GiG's vision is "Opening Up iGaming, to make 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 iGamingCloud. 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 the Company's internal brands and is sold 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 produce 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, better price points can be offered and thus attract increasingly larger clients.

By channelling users from the lead generation in GIG Media to the platform clients in GIG Core, GiG captures more of the customers' wallet, whilst driving distribution and growth for its partners and suppliers. The Company first earns from the market rates being paid for the referred traffic, then 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

The business is strongly growth focused and GiG is investing accordingly. The Company is currently developing games services for both sports betting and casino; odds for sportsbooks and games for casino operators. Games services are licensed and certified odds or games that can be plugged directly into the consumer portal of any operator. These are core investment areas to complete the whole eco-system. By offering own 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 and can set 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 is using big data, models and computer algorithms as well as aggregating third party odds to generate its odds. These odds will be displayed at GIG's internal brands and sold to external clients. The offering includes odds, as well as the front-end design and the full range of back office features needed to run a sportsbook. The business model will include revenue share and flat fees, and GIG will aggressively reduce current charges to suppliers, increasing profitability.

The service will be launched ahead of the FIFA World Cup starting in June 2018.

GiG have developed a remote gaming server (RGS) and a games engine. The RGS allows GiG to design, host and distribute in-house developed games 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 third quarter 2018. It includes table games such as blackjack and roulette, as well as slots. Games will be offered on a revenue share basis.

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.

The business areas above completes GiG's presence throughout, and the disruption of, the value chain in iGaming. A user can be referred from the lead generation service, to an internal or external operator using the GiG platform, and be playing an in-house game.

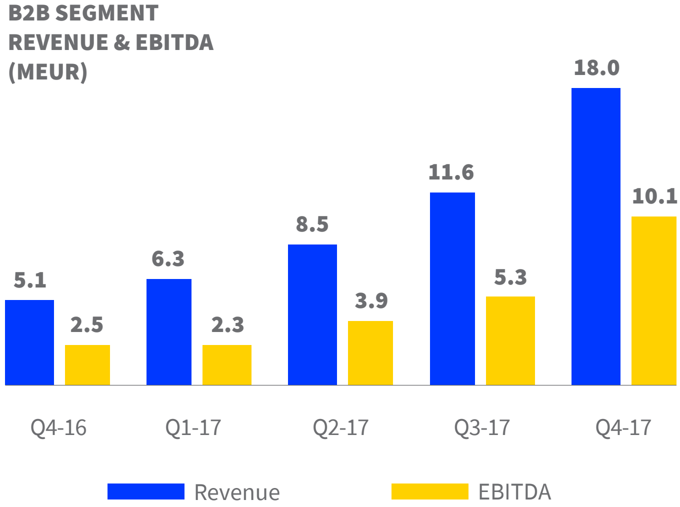
OPERATIONAL REVIEW

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	Q4 2017	Q4 2016	2017	2016
REVENUE	17.96	5.06	44.39	15.61
EBITDA	10.11	2.54	21.63	6.94

Revenues for the B2B segment amounted to EUR 17.96 million in the fourth quarter 2017, a 55% increase over the previous quarter (42% organic), and a 255% increase over the fourth quarter 2016 (165% organic). EBITDA was EUR 10.11 million in the quarter with an EBITDA margin of 56%, an increase from EBITDA of EUR 5.31 million in the previous quarter (46% margin) and EUR 2.54 million in the fourth quarter 2016 (50% margin). The B2B segment has limited sales costs and marketing expenses.



GiG MEDIA

GiG Media referred 35,200 new FTDs (First Time Depositor) to operators in the fourth quarter 2017, a 21% increase from 29,049 in the third quarter 2017 (10,357 in the fourth quarter 2016). Of the new FTDs in the quarter, 13% was referred to GiG's own brands, 14% to iGC clients, and the remaining 73% to other operators.

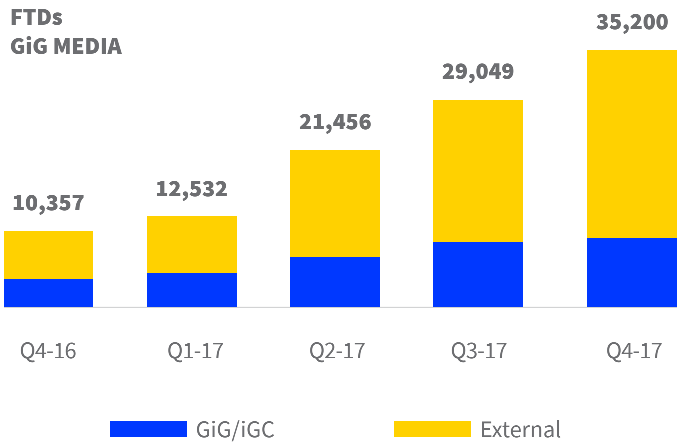
Revenue was EUR 8.50 million in GiG Media in the fourth quarter 2017, a 34% increase over EUR 6.32 million in the third quarter 2017 and 204% over EUR 2.78 million in the fourth quarter 2016. Organic growth was 14% from the third quarter 2017 and 41% from the fourth quarter 2016. EBITDA for the quarter was EUR 5.15 million with an EBITDA margin of 61%, compared to EUR 4.47 million (71%) in the previous quarter and EUR 1.78 million (64%) in the fourth quarter 2016.

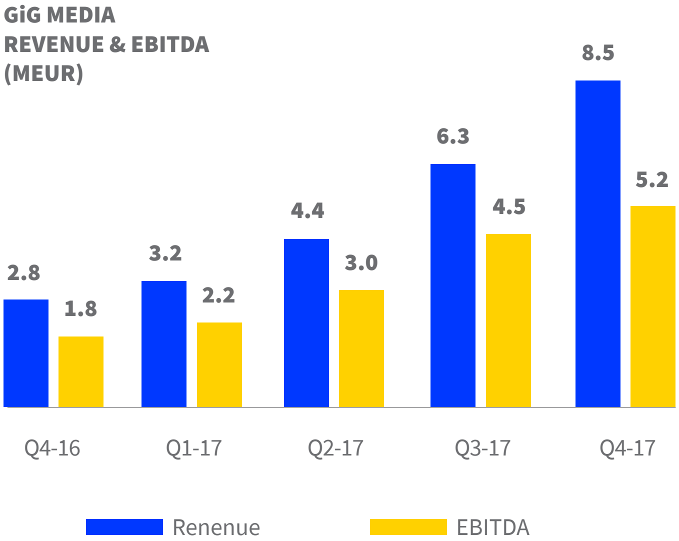
74% of revenues in the fourth quarter came from revenue share (74% in the third quarter), 17% from CPA (14%) and 9% from listing fees (12%).

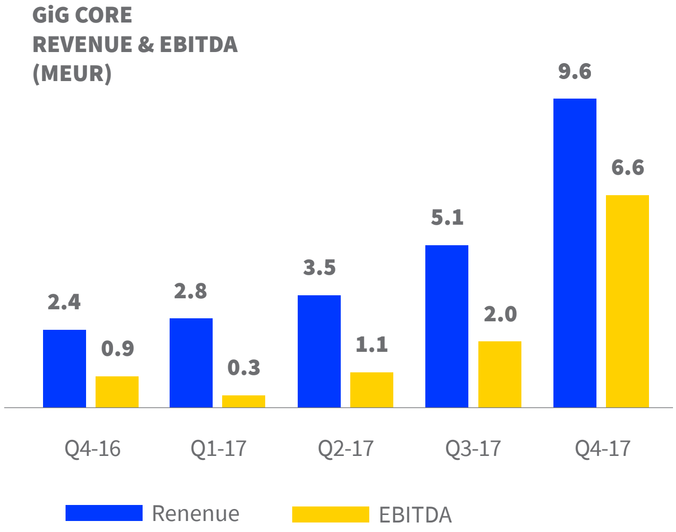
In 2017, GiG acquired five affiliate networks, including affiliate websites, accounts and associated agreements. Three of these were acquired in the second quarter, and the remaining two in the third quarter. The acquisitions have strengthened GiG's position as one of the leading affiliates in Europe.

New to the lead generation business is the paid model. In September GiG acquired the digital media buy company Rebel Penguin, including 40 talented staff based in Copenhagen. IP consisted of a proprietary technology to support paid media activities for channels such as Google, Facebook and Display. Rebel Penguin's operations will be expanded to support an exciting roadmap of software, products and business models, which will not only benefit the Company in terms of lead generation, but also GiG's platform services.

The majority of FTD's generated by Rebel Penguin are from regulated markets such as UK and Denmark, delivered on perpetual revenue share basis to the customers. Rebel Penguin also offers marketing agency, servicing clients paid media needs both in iGaming and non-gaming verticals. Current client portfolio ranges from external iGaming operators, B2B partners on the IGC platform to government contracts and high-end fashion houses.







GiG CORE

GiG's cloud based platform service is a fast growing product empowering operators with all the hardware, software, tools, features and integrations needed to start and operate as an iGaming operator. The product has now been renamed GiG Core. The name change is explained by the growing number of services offered independently or as a platform bundle. The rebranding exercise will be carried out over the coming period.

GiG Core continued to grow in the fourth quarter of 2017 and launched a range of business intelligence tools among other improvements to the platform. During the quarter, 34 brands operated on the platform including GiG's seven own brands. Total database transactions increased by 27% to 4.0 billion, up from 3.2 billion in the third quarter 2017 (1.9 billion in the fourth quarter 2016).

GiG Core saw fourth quarter revenues of EUR 9.59 million, a 87% increase over the third quarter 2017 and 306% increase over the fourth quarter 2016, whereof 80% was external revenue from clients and the balance from GiG's own brands. All growth was organic. EBITDA for the quarter was EUR 6.58 million, with an EBITDA margin of 69%, an increase from EUR 2.03 million and 40% margin in the third quarter 2017 (EUR 0.92 million and 39% in the fourth quarter 2016).

The high margin is partly explained by a EUR 2.00 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 grew 48% and EBITDA 126% from the third quarter 2017.

As part of the platform services, GiG has launched a new offering, product and business line named GiG Magic. The product is created on the back of the Betit acquisition in 2016, where an important aspect of the rational was to acquire the front-end platform "Ramson". This is a casino operator front-end development services and CMS that has been productised and commercialised for clients to build their own website.

GiG's platform services potentially had its largest breakthrough when winning the highly competitive tender of Hard Rock international. GiG will supply the global mega brand with both GiG Core and GiG Magic. This contract evidences the competitiveness of the platform, and give an opportunity to showcase the Company's state of the art digital consumer products. GiG will enter a regulated US market as Hard Rock is planning to launch the product in New Jersey, in conjunction with the opening of their $500m resort and casino in Atlantic City. Hard Rock is aiming to become a global player in gaming and contingent on a successful launch in New Jersey, and a positive regulatory development in the United States, Hard Rock will expand to other states, and countries, in accordance with its market plan.

The signing of Hard Rock is in line with the previously communicated strategy of utilizing platform scalability to attract larger clients and enter new regulated markets.

Three new brands were signed in the fourth quarter 2017. Three smaller brands discontinued their operations in the quarter after weak performance, whereof one may reopen with new owners. One brand started its operations in the fourth quarter, and the remaining are expected to go live in the first half of 2018, whereof one is uncertain due to a pending licence. As of today, a total of 41 brands will be operated on the platform, including GiG's brands.

GiG SPORTS AND GAMES SERVICES

GiG is currently developing games services for both sports betting and casino. Games services are licensed and certified odds or games that can be plugged directly into the consumer portal of any operator.

GiG SPORTS

GiG Sports (previously BettingCloud) will launch GiG's new sports book offering in Q2 2018, ahead of the 2018 FIFA World Cup. Development efforts have scaled up to offer the complete product portfolio needed by a brand to power an in-house sports book.

GiG Sports Connect features in-house and aggregated odds and data for Pre-match, Live and Futures. The odds are generated from probabilities made with data being run through proprietary models. This will at large see GiG expand its tech and data capabilities, whilst reducing dependencies on third hand parties. The product will also feature odds and data aggregated from third hand parties. It will be sold on a revenue share model.

Production costs will be competitive as the use of models, algorithms and big data allows GiG to produce odds at a lower price point.

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

GiG Goal is a brand new mobile first middle-ware and front-end service. It will replace the current sportsbook at GiG's consumer brands, and will also be launched as a new vertical on Rizk.com. The product will be sold to clients as a highly modern and scalable turnkey front-end solution for Sportsbook.

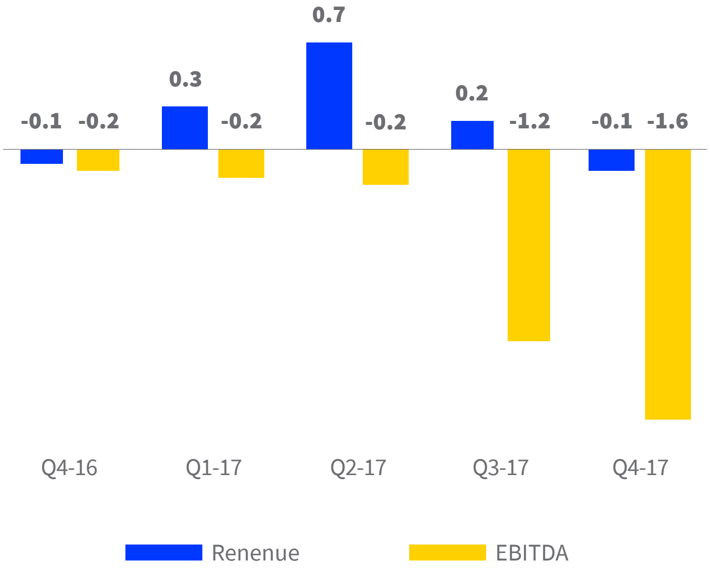
GiG Sports will connect everything into one eco-system, where multiple odds providers will be integrated, and the operators can choose to use whole or part of the offering.

Gridmanager placed around 50,000 bets for a total turnover of EUR 6.4 million in the fourth quarter, down from 72,000 bets and EUR 11 million turnover in the previous quarter. The trading yielded a negative return of EUR 0.17 million in the quarter, down from EUR 0.20 million in the third quarter.

Revenues were negatively impacted as the Company is scaling out its automated trading in the market to calibrate and test a range of new sports, models and algorithms ahead of the launch. This will improve the offering as well as the bet placement operation. Seasonal variations also had an impact, with the fourth quarter historically being the weakest quarter.

In total, GiG Sports had a negative EBITDA of EUR 1.62 million in the fourth quarter 2017, compared to a negative 1.17 million in the previous quarter. Seasonal effects for the trading and revenues from the new sports offering will improve revenue and EBITDA for GiG Sports going forward.

GiG SPORTS REVENUE & EBITDA (MEUR)



GiG GAMES

GiG 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 hand party games, to any operator, irrespective of whether they are integrated to GiG Core.

Since the launch of GiG Core, the Company has completed 17 direct integrations for game suppliers providing content from 26 different game suppliers, covering most of the leading casino games studios in the world. 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 us 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 is currently three games under development which will be launched in Q3 2018 and a range of other games under development which will be launched in the following quarters. GiG aims to develop a major games studio.

The costs related to the development of GiG Games are expensed in the fourth quarter.

GiG GAMING (B2C)

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.

MEUR	Q4 2017	Q4 2016	2017	2016
REVENUE	25.40	17.93	85.98	42.40
MARKETING EXPENSE	13.53	7.29	48.81	19.80
EBITDA	-2.13	1.32	-9.00	-1.13
TOTAL DEPOSITS	107.7	66.5	352.3	159.1

The vision of GiG Gaming is to make iGaming truly customer oriented by aiming to deliver the best products and customer experience in the industry. The Company is seeking to be a major iGaming operator across the Nordics, Western and Central European markets, defined as the Company's core markets, and is pursuing an aggressive expansion strategy in these markets.

In November, GiG Gaming launched Highroller.com through digital marketing channels. With the new brand, GiG is seeking to disrupt the casino vertical. The product is offering a very personalised, interactive and gamified experience with community features, fully utilizing the gamification and customer-specific capabilities in GiG Core.

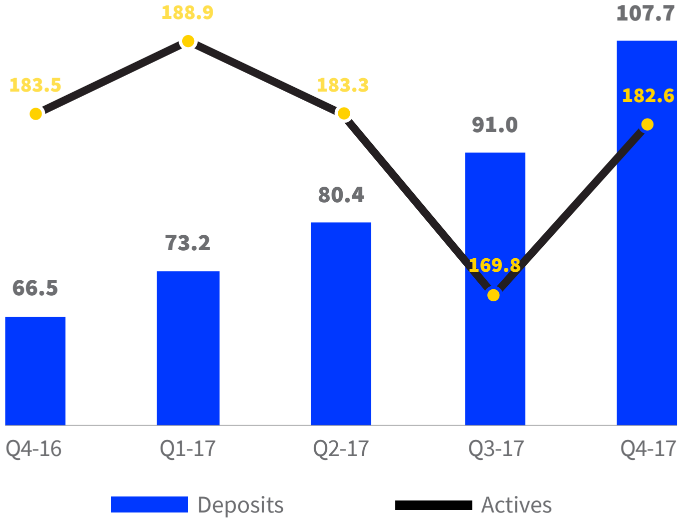
The launch has been highly successful returning the most promising acquisition KPIs the Company has seen in a gaming product so far. Highroller.com has been live in the UK since early January 2018, in compliance with the strict framework set out by the UK Gambling Commission.

GiG Gaming launched Rizk.com into central European markets late September 2017. However, following uncertain regulatory developments, marketing has been scaled back, and the Company will continuously monitor developments and consider scaling up initiatives again on a short notice.

GiG's casino brands continued expansion with more brands actively marketed in the fourth quarter, resulting in all time high deposits of EUR 107.7 million, up 18% from EUR 91.0 million in the third quarter 2017 (EUR 67 million in the fourth quarter 2016). The number of active users for the B2C segment was 182,565 in the fourth quarter, up from 169,791 in the third quarter 2017 (183,521 in the fourth quarter 2016).

Revenues for the B2C segment amounted to EUR 25.4 million in the fourth quarter, a 16% increase from EUR 21.9 million in the third quarter 2017 and 42% over the fourth quarter 2016. 45% of revenues came from regulated and near-regulated markets, compared to 51% in the third quarter 2017. Revenues were split with 76% from the Nordics (66% in Q3), 11% (11%) from Western Europe, 9% (10%) from Central Europe and the balance, 4% (5%) from non-core markets.

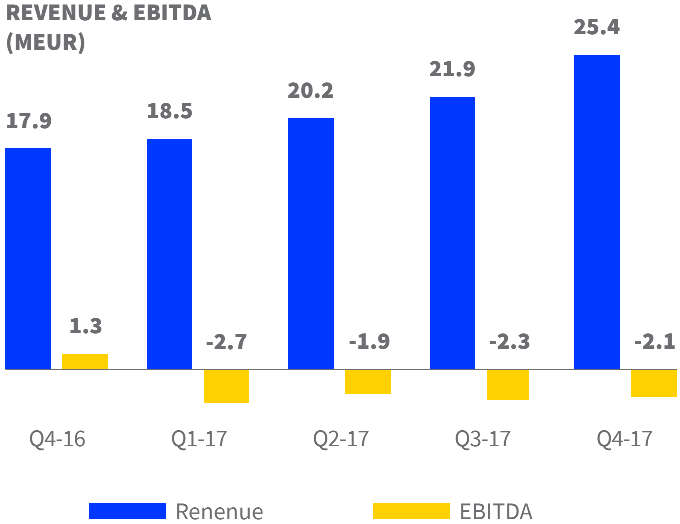
GiG GAMING
DEPOSITS (MEUR) & ACTIVES



The casino margin in the operator business was 3.48% in the fourth quarter, compared to 3.73% in the third quarter 2017. Sports betting had a margin of 9.0% in the quarter, compared to 6.4% in the previous quarter. Betting duties were 3.8% of gaming revenues in the fourth quarter 2017 (3.5% in the third quarter 2017 and 3.2% in the fourth quarter 2016). Also, EUR 0.57 million in accrued VAT from previous operations in Austria and Germany has been expensed in the quarter.

Up-front marketing investments continued in the fourth quarter, with a total B2C marketing expense of EUR 13.53 million, in line with the EUR 12.59 million spent in the third quarter 2017. This is 53% of B2C revenues in the fourth quarter, down from 58% in the previous quarter. EUR 7.29 million was spent on marketing in the fourth quarter 2016 (41% or revenues). Of the total B2C marketing expense, EUR 4.63 million or 35% was related to revenue share agreements (32% in Q2 2017), with the balance attributable to up-front payments including TV campaigns.

GiG GAMING
REVENUE & EBITDA
(MEUR)



STRATEGIC UPDATE & OUTLOOK

GiG is now on the verge of offering complete back office, front-end, and marketing services for both Casino and Sports. The competitiveness of the products and offering has been verified through the signing of Hard Rock. The performance and capabilities of the system has been proven by the vertical growth experiences by the existing client base, and the continued strong demand and pipeline. As GiG is making technological advancement, it is able to sell its products modular, or as one powerhouse iGaming offering.

The Company has high anticipations for the impact of its new sportsbook offerings both on B2C and on B2B. GiG Sports is on a good track to launch these products ahead of the World Cup. GiG equally has high expectations for its Casino Games products including games aggregation and proprietary games, to be launched in Q3 2018.

GiG's gaming vertical is developing well and is looking to be profitable in Q1 2018. All brands are continuously iterated with dedicated teams and KPIs are expected to improve for every quarter.

The broad range of products and services are fully supported by the One GiG organisation. Following heavy recruitments over the last year, the organisation is now maturing and becoming increasingly effective. Supported by an incredible work environment, efficiency and innovation will flourish. GiG is considered an attractive employer, and turnover rates in the Company remains low.

GiG aims to be present in most regulated markets in the future, and remains committed to seeking licenses in Europe where available, and as such plan market entries, on a country by country basis. The planned entry into New Jersey is a testament to this strategy. The Company sees great opportunity in a regulated US future. The US Supreme Court is currently considering whether PASPA, the federal ban on sports betting, is considered unconstitutional, which would pave way for either an outright removal of the ban at a federal level, or at state by state level.

GiG is becoming experienced with acquisitions and has completed 12 acquisitions since January 2015. Following the completion of Betit in 2017, and the STK and Rebel Penguin acquisitions this autumn, the Company has operational leverage to commit further acquisitions should the right opportunity arrive. GiG is looking for value accretive acquisitions, both within lead generation and other parts of the business. GiG own its proprietary technology and is present in the entire value chain. This positions the Company well to take on any sort of future acquisitions.

As the Company is maturing, and growing, by function of increasing scale and presence in the industry and local communities, GiG are increasing the focus on corporate social responsibility. In 2018, GiG will ramp up its engagement in activities, research and develop technologies for this purpose. The change in vision, "Opening up iGaming, to make it fair and fun for all" is a promise of GiG's dedication to achieve this.

OUTLOOK

The Company expects the positive growth trend to continue into 2018 based on solid growth in all business areas, positive effects from operational changes made in 2017, new product launches, new strategic agreements such as the Hard Rock agreement as well as possible further acquisitions. In total GiG is well positioned to progress and continue to grow at a stronger pace than the general industry trend.

FINANCIAL REVIEW

FOURTH QUARTER 2017

Revenues

Gaming Innovation Group continues to see strong growth. Consolidated revenues amounted to EUR 39.93 million in the fourth quarter of 2017, a sequential increase of 29% from the third quarter 2017 (EUR 30.84 million), and an increase of 85%, compared with the fourth quarter 2016 (EUR 21.49 million). Revenues comprise income from the Company's gaming sites, from affiliate marketing in GiG Media, from B2B customers on GiG Core, and sports trading.

Cost of Sales

Cost of sales include fees to game and payment suppliers, as well as gaming taxes and other variable expenses. In the fourth quarter 2017, cost of sales amounted to EUR 6.52 million, compared with EUR 4.96 million in the third quarter 2017, and EUR 4.05 million in the fourth quarter 2016. Gaming taxes amounted to EUR 0.93 million, or 2.4% of total revenues, compared with EUR 0.76 million (2.5%) in the third quarter 2017, and EUR 0.57 million (2.6%) in the fourth quarter 2016. Cost of sales includes EUR 0.57 million in accrued VAT from previous operations in Austria and Germany.

Gross profit

Gross profit for the group amounted to EUR 33.41 million during the fourth quarter 2017, a 29% increase over EUR 25.88 million in the previous quarter, and a 92% increase over the fourth quarter of last year (EUR 17.44 million). Gross profit margin for both the fourth and third quarter 2017 was 84%, and 81% in the corresponding quarter last year. Excluding accrued VAT from previous operations in Austria and Germany, gross profit margin for the fourth quarter was 85%.

Marketing expenses

Marketing expenses were EUR 13.10 million in the fourth quarter 2017, a 10% increase from EUR 11.95 million in the third quarter 2017, and EUR 7.01 million in fourth quarter 2016. Marketing expenses' share of total revenues were 33% in the quarter, compared with 39% in the previous quarter, and 33% in the fourth quarter 2016. Marketing expenses are mainly associated with the Company's B2C operations, and comprise both up-front payments such as TV campaigns and CPA (cost per acquisition), and affiliate commissions.

Operating expenses

Other operating expenses amounted to EUR 12.42 million in fourth quarter 2017, a 15% increase from EUR 10.89 million in third quarter 2017 (EUR 6.57 million in fourth quarter 2016). Operating expenses are mainly related to salaries, rent and general corporate expenses, and the increase is a result of increased activity, investments into future products, and an increase in the number of employees over the quarter from 585 to 635. The number of employees includes full time consultants. Personnel expenses were EUR 8.46 million in the fourth quarter, a 11% increase from EUR 7.61 million in third quarter 2017 (EUR 4.71 million in fourth quarter 2016).

Capitalized expenses related to the Company's development of technology and future products amounted to EUR 0.83 million in the fourth quarter, compared to EUR 0.98 million in the third quarter 2017 and EUR 0.65 million in fourth quarter 2016.

EBITDA

EBITDA for the fourth quarter 2017 was EUR 7.90 million, a 159% improvement from EUR 3.05 million in the third quarter 2017 (EUR 3.86 million in the fourth quarter 2016). The increase in EBITDA from the previous quarter is driven by seasonal effects and overall increased performance, and a EUR 2.00 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.

D&A

Depreciation and amortization amounted to EUR 4.33 million in the fourth quarter 2017, compared with EUR 3.19 million in the third quarter 2017, and EUR 1.07 million in the fourth quarter 2016. Depreciation and amortization expenses are mainly related to amortization of the affiliate acquisitions completed over the last three years, with EUR 1.04 million related to affiliate contracts and EUR 1.42 million to domains/SEO in the quarter. The acquisitions in 2017 contributed with EUR 2.00 million in amortization in the quarter.

EBIT

EBIT came in at EUR 3.56 million in the fourth quarter 2017, compared to EUR -0.14 millionin the third quarter 2017 and EUR 2.79 million in the fourth quarter 2016).

Net result

Net other income was EUR 0.12 million in the fourth quarter 2017, compared to EUR -0.31 million in the third quarter 2017 and EUR -0.57 million in the fourth quarter 2016. Accrued interest on the Company's bond was included with EUR 1.26 million in the quarter and the balance are net foreign exchange gains.

The net result for the fourth quarter was EUR 2.79 million, compared to EUR -0.50 million in the previous quarter and EUR 1.98 million in the fourth quarter 2016.

Comprehensive loss includes EUR 0.85 million in exchange differences on inter-company balances resulting from the EUR value of acquisitions at the date of acquisition versus 31 December 2017.

Cash flow

The consolidated net cash flow from operational activities amounted to EUR 1.99 million for the fourth quarter 2017 (EUR -0.48 million in the fourth quarter 2016).

The net cash flow used on investments was EUR 15.82 million in the fourth quarter 2017 (EUR 1.06 million in the fourth quarter 2016), whereof EUR 14.17 million were related to acquisition of affiliates.

The net cash flow from financing activities was EUR 1.02 million in the fourth quarter 2017 comprising of funds from a credit facility (EUR -0.32 million in the fourth quarter 2016).
Cash and cash equivalents decreased by EUR 13.67 million in fourth quarter 2017, mainly due to payment of the final instalment for the STK affiliate purchase (EUR 2.27 million decrease in third quarter 2016).

FULL YEAR 2017

Revenues

Consolidated revenues for 2017 came in at EUR 120.42 million, a 125 per cent increase from EUR 53.60 million in 2016. Cost of sales amounted to EUR 20.52 million in 2017, compared to EUR 9.28 million in 2016. Gross profit ended at EUR 99.90 million, up 125 per cent from EUR 44.32 million in 2016. The gross profit margin was 83% in both 2017 and 2016.

Marketing expenses

Marketing expenses amounted to EUR 47.09 million in 2017 (39% of revenues), compared to EUR 19.09 million in 2016 (36% of revenues).

Operating expenses

Other operating expenses to support and drive the rapid growth alongside investments into the GIG's leading facilities amounted to EUR 40.29 million in 2017 (33% of revenues), compared to EUR 19.41 million in 2016 (36% of revenues). Operating expenses have increased due to overall increased activity and a higher number of employees. Capitalized expenses amounted to EUR 3.92 million in 2017 compared to EUR 0.99 million in 2016.

EBITDA

EBITDA for 2017 ended at EUR 12.52 million or an EBITDA margin of 10.4%, compared to EUR 5.82 million in 2016 (EBITDA margin of 10.8%).

D&A

Depreciation and amortization amounted to EUR 10.91 million in 2017, compared to EUR 3.05 million in 2016, mainly related to amortization of the affiliate acquisitions completed over the last three years.

EBIT

EBIT came in at EUR 1.61 million in 2017, compared to EUR 2.77 million in 2016.

Net result

Net other income was negative by EUR 1.05 million in 2017, compared to negative EUR 0.01 million in 2016. 2016 included a EUR 1.34 million gain on derivative assets. Net result ended at negative EUR 0.42 million in 2017, compared to EUR 2.39 million in 2016.

Cash flow

The consolidated net cash flow from operational activities amounted to EUR 13.41 million for 2017 (EUR 2.22 million in 2016).

The net cash flow used on investments was EUR 66.71 million in 2017 (EUR 5.06 million in 2016), whereof EUR 59.44 million was related to acquisition of affiliates. The net cash flow from financing activities was EUR 60.64 million in 2017 mainly related to the bond issued in 2017 (EUR 7.05 million in 2016).

Cash and cash equivalents increased by EUR 6.04 million in 2017, compared to a EUR 3.94 million increase in 2016.

FINANCIAL POSITION

As at 31 December 2017, holdings of cash and cash equivalents amounted to EUR 12.08 million, compared with EUR 6.04 million as at 31 December 2016. Cash holdings include EUR 4.17 million in fiduciary capacity, which is customer monies, which use is restricted, in accordance with the Remote Gaming Regulations.

As at 31 December 2017, GiG had total assets of EUR 205.7 million, and shareholders' equity was EUR 108.8 million (53%).

The interest-bearing debt as at 31 December 2017 was EUR 67.5 million, compared to EUR 2.7 million as at 31 December 2016.

REGULATORY UPDATE

GiG is committed to comply with all applicable gaming laws, regulations and license conditions (including Malta Gaming Authority and UK Gambling Commission), and follows the regulatory developments in its markets and is prepared to adjust the way it operates, if necessary.

Stricter regulations in the UK will oblige a more comprehensive examination of players' economy and sources of funds, which eventually may lead to increased restrictions and limitations for players. GIG's policy is to strictly adhere to all existing and future rules and regulations in the markets it operates, even if this may hurt short-term profitability. GIG welcomes this development, as it will give all companies operating in regulated markets equal competitive terms.

In Q4 2017, GiG decided to remove all advertisement from Dutch facing affiliate websites. The decision was made on request from the Dutch Gaming Regulator following their new set of prioritization criteria, 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 publishing websites, in accordance with the framework, which should then be clear. The decision is expected to reduce revenues and EBITDA on lead generation with about EUR 2.5 million on a pro-forma annual basis in 2018. GiG is looking forward to operate with all products in a regulated Dutch market.

In January 2018, the opposition parties in Norway communicated an intent to introduce a bill to parliament which would result in tougher condition for remote gaming operators. GiG is operating in accordance with all applicable rules and laws, and will monitor and review the development and eventually a passed bill closely.

Sweden has issued further information on remote betting licenses to be applicable from January 2019. GiG will acquire such a license, and are preparing to submit an application when the window will open in June 2018. GiG is expecting to see new opportunities to attract customers as a result of the new legislation.

GiG is continuing its work on the technical certifications required to be issued a Danish Remote Betting License. Work has been paused due to prioritising of the New Jersey license and a new timeline will be issued in the Q1 2018 report.

Payment Services Directive 2 has come into effect and in order to stay compliant, GiG has removed all fees incurred customers on transactions, as of 13 January 2018. The net effect on revenues and EBITDA is uncertain as the cost cascades to suppliers and clients, and will be offset by increased business, however is estimated to be between EUR 4-6 million on a pro-forma annual basis.

The Company is also preparing for the introduction of GDPR and the required changes is being absorbed by current operating expenses.

GiG is also exploring a range of additional licenses and markets. The aim being to operate in most regulated markets in the future. As such, the Company has decided to put compliance at the heart of the business and is scaling up the legal, regulatory & compliance team under the new One GiG organisation. Headcount is expected to reach 20 at the administrational side supported by a dedicated technical team.

PEOPLE AND ENVIRONMENTS

In the fourth quarter 2017 the Company conducted a major reorganisation, under the parole "One GiG". Previously the Company was structured as a conglomerate with individual business units and management overseeing separate business lines. In the quarter all the staff were united into one highly efficient organisation, spearheaded by the CEO and six C-Level managers, each overseeing the following departments: Technology, Operations, Marketing, Digital, Commercial and Finances. These are collaborating across products, processes and projects and are having P&L and budget responsibilities.

GiG's management is advised by a CEO-Office including dedicated staff and teams for Corporate Governance & Finance, Legal and Regulatory Compliance, Investor Relations, Communications, M&A and Creative, ensuring the controlled and harmonised growth of GiG.

By the end of 2017, 636 employees were spread throughout Malta, Spain, Denmark, Norway and some satellite offices. 27% of the employees are female, which is good relative to the gaming sector. Approximately 275 of the employees are working in Gaming, 240 in Services and 90 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.

On the 13th of January, GiG's new HQ @GiG Beach were officially opened. The 3,400 SQM large facility is offering a range of facilities and features such as a gym, library, free organic breakfast and lunch, and is designed to promote efficiency and creativity. The office was inaugurated by the prime minister of Malta, Dr.Joseph Muscat in front of staff, excellences, and distinguished guests. GiG is growing rapidly and the Company has signed a second location in Malta, @GiG Sky. The new premises will be ready in Q1 2019 and will feature an additional highly innovative office space. At this stage all staff in Malta will be gathered in close proximity in the best of work environments.

SHAREHOLDER MATTERS

As of 31 December 2017, the total number of shares outstanding in GiG was 895,656,266 (par value USD 0.10), divided between approximately 3,600 shareholders. The number of authorized shares is 950,000,000.

As of 31 December 2017, 18,960,000 options were outstanding. Subsequent to the fourth quarter 2017, the Board granted 1,800,000 new options to key employees, with an exercise price of NOK 6.50 per share, 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. 850,000 options have been cancelled in 2018, resulting in 19,910,000 options outstanding as of today.

GAMING INNOVATION GROUP INC.

Condensed Statements of Operations

EUR - UNAUDITED	Q4 2017	Q4 2016	2017	2016
REVENUES	39 928 620	21 494 763	120 422 813	53 604 995
Cost of sales	6 515 981	4 051 933	20 521 383	9 284 807
GROSS PROFIT	33 412 639	17 442 830	99 901 430	44 320 188
OPERATING EXPENSES				
Marketing expenses - revenue share	4 634 598	3 278 555	15 392 065	7 874 744
Marketing expenses - other	8 467 540	3 728 667	31 700 747	11 218 789
Other operating expenses	12 417 699	6 573 915	40 288 065	19 410 802
TOTAL OPERATING EXPENSES	25 519 837	13 581 137	87 380 877	38 504 335
EBITDA	7 892 802	3 861 693	12 520 553	5 815 853
Depreciation & amortization	4 334 293	1 067 066	10 911 986	3 046 246
EBIT	3 558 509	2 794 627	1 608 567	2 769 607
Other income (expense)	119 561	-568 040	-1 053 564	-1 349 374
Unrealized gain (loss) on derivative asset	-	-	-	1 337 674
RESULT BEFORE INCOME TAXES	3 678 070	2 226 587	555 003	2 757 907
Tax income/(expense)	-890 680	-250 630	-972 504	-363 842
NET RESULTS	2 787 390	1 975 957	-417 501	2 394 065
Exchange differences on translation of foreign operations	-845 923	-217 890	-2 570 902	-199 850
Fair value movement in available for sale investment	-11 538	-195 161	1 280 582	-69 459
TOTAL COMPREHENSIVE INCOME (LOSS)	1 929 929	1 562 906	-1 707 821	2 124 756
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	1 919 803	1 560 579	-1 725 337	2 237 893
Non-controlling interests	10 126	2 327	17 516	-113 137
TOTAL COMPREHENSIVE INCOME (LOSS)	1 929 929	1 562 906	-1 707 821	2 124 756
EARNINGS PER SHARE ATTRIBUTABLE TO GIG INC:				
Basic earnings (losses) per share	0,00	0,00	-0,00	0,00
Diluted earnings (losses) per share	0,00	0,00	-0,00	0,00
Weighted average shares outstanding	895 656 266	811 517 353	890 673 068	629 595 518
effect of dilutive shares	4 322 167	2 803 153	0	2 513 622
Diluted weighted average shares outstanding	899 978 433	814 320 506	890 673 068	632 109 140

GAMING INNOVATION GROUP INC.

Condensed Statements of Financial Position

EUR - UNAUDITED	31 DEC 2017	31 DEC 2016
ASSETS		
NON-CURRENT ASSETS:		
Goodwill	69 443 618	63 954 856
Intangible assets	91 996 926	41 204 449
Deposits and other non-current assets	7 178 904	2 433 986
TOTAL NON-CURRENT ASSETS	168 619 448	107 593 291
CURRENT ASSETS:		
Prepaid and other current assets	194 456	147 792
Trade and other receivables	24 769 206	12 532 193
Cash and cash equivalents	12 079 272	6 035 177
TOTAL CURRENT ASSETS	37 042 934	18 715 162
TOTAL ASSETS	205 662 382	126 308 453
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	78 483 434	71 639 353
Share premium/reserves	30 512 813	33 330 668
Retained earnings (deficit)	-236 137	198 879
Total equity attributable to GiG Inc.	108 760 110	105 168 900
Non-controlling interests	23 471	5 957
TOTAL SHAREHOLDERS' EQUITY	108 783 581	105 174 857
LIABILITIES:		
Trade payables and accrued expenses	28 568 352	15 065 681
Short term loans	-	3 406 994
TOTAL CURRENT LIABILITIES	28 568 352	18 472 675
Bond payable	66 465 902	-
Deferred tax liability	828 612	-
Other long term liabilities	1 015 935	2 660 921
TOTAL LONG TERM LIABILITIES	68 310 449	2 660 921
TOTAL LIABILITIES	96 878 801	21 133 596
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	205 662 382	126 308 453
CONDENSED STATEMENTS OF CHANGES IN EQUITY:		
EQUITY AT BEGINNING OF PERIOD	105 174 857	27 846 472
Issuance of shares for cash, in repayment of debt and purchase of subsidiary and affilates	3 649 985	77 778 699
Fair value movement in available for sale investments	1 280 582	125 702
Share compensation expense	1 666 560	-66 777
Non-controlling interests	17 516	-113 137
Change in value of derivative assets	-	-2 703 454
Exchange differences on translation of foreign operations	-2 570 902	-199 850
Net results	-435 017	2 507 202
EQUITY AT END OF PERIOD	108 783 581	105 174 857

GAMING INNOVATION GROUP INC.

Condensed Statements of Cash Flows

EUR - UNAUDITED	Q4 2017	Q4 2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:				
Results before income taxes	3 678 070	2 226 587	555 003	2 757 907
Adjustments to reconcile profit before tax to net cash flow:				
Tax expense	-890 680	-250 630	-972 504	-363 842
Depreciation and amortization	4 334 293	1 067 066	10 911 986	3 046 246
Unrealized loss on derivative assets	-	-	-	-1 337 674
Other adjustments for non-cash items and changes in operating assets and liabilities	-5 127 979	-3 518 873	2 918 624	-1 881 354
NET CASH PROVIDED BY OPERATING ACTIVITIES	1 993 704	-475 850	13 413 109	2 221 283
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash acquired on acquisition of a subsidiary	-	-	-	-3 400 526
Purchases of intangible assets	-14 166 763	-	-62 964 881	-1 195 965
Purchases of property, plant and equipment	-1 553 405	-107 251	-3 649 100	-464 260
Cash flow from other investing activities	-99 999	-957 515	-99 999	-
NET CASH USED BY INVESTING ACTIVITIES	-15 820 167	-1 064 766	-66 713 980	-5 060 751
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from Issuance of shares	-	-	-	4 557 084
Proceeds from bond issue	-	-	67 164 426	-
Proceeds from loans	1 015 935	1 463 783	3 070 871	6 418 959
Loan from related party	-	-1 778 434	-8 122 851	-3 923 810
Cash flow from other investing activities	-	-	-1 477 160	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1 015 935	-314 651	60 635 286	7 052 233
Translation loss	-845 923	-217 890	-2 570 902	-199 850
Fair value movements	-11 538	-195 161	1 280 582	-69 459
NET INCREASE (DECREASE) IN CASH	-13 667 989	-2 268 318	6 044 095	3 943 456
Cash and cash equivalents - beginning	25 747 261	8 303 485	6 035 177	2 091 721
CASH AND CASH EQUIVALENTS - END	12 079 272	6 035 167	12 079 272	6 035 177

GAMING INNOVATION GROUP INC.

Selected Notes to Condensed Consolidated Financial Statements as of and for the Years Ending 31 December 2017 and 2016

1. GENERAL INFORMATION

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

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

The condensed consolidated financial statements of the Company as at and for the years ended 31 December 2017 and 2016 are comprised of Limited, and its accounting basis subsidiaries: GiG, Candid Gaming Ltd (“Candid”) and Gridmanager Ltd (“Grid”) (corporations registered in Malta), MT Secure Trade Ltd, (“Secure”) Innovation Labs Ltd, (“Labs”) iGaming Cloud Ltd., (“iGC”) BettingCloud Ltd. (formerly Gaming Exchange Ltd.) (“Exchange”), Zecure Gaming Limited (Zecure) (corporations registered in Malta), Spaseeba AS (“Spaseeba”) (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 years ended 31 December 2017 and 2016 have not been audited by the Company’s auditors.

These unaudited interim condensed financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The condensed consolidated financial statements report the 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).

In December 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changes the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, a move from a worldwide tax system to a territorial system, as well as other changes. As a result of the new legislation, the Company does not expect to pay any one-time income tax related to the transition tax on accumulated foreign earnings or any other changes. The Company continues to evaluate the impact the new legislation will have on the financial statements, and the preliminary considerations may be impacted by a number of additional considerations, including but not limited to the issuance of the final regulations and our ongoing analysis of the new law.

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 2017 are consistent with those used in preparing the Company’s consolidated financial statements as of and for the year ended 31 December 2016.

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

Gaming transactions that are not deemed to be financial instruments, where the Company's revenues stem from commissions and winnings that are subject to a fixed percentage, are recorded in accordance with IAS18 Revenue. Gaming revenues are recognized net after the deduction of the 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, 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.

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.

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

A number of new and revised accounting standards and interpretations, which are not mandatory for the preparation of the consolidated financial statements for 2017. Management has begun to assess the impact of IFRS 9 on financial instruments (effective date 1 January 2018), IFRS 15 on revenue recognition (effective date 1 January 2018) and IFRS 16 on leases (effective date 1 January 2019) on the future financial reporting. The Company has not yet assessed the full impact of the new standards on the Company's 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 2017 (EUR 1000)	B2C	B2B	ELIMINATION	TOTAL
REVENUE	25,401	17,959	-3,431	39,929
COST OF SALES	8,002	382	-1,868	6,516
MARKETING COST	13,532	978	-1,408	13,102
EBITDA	-2,130	10,110	-87	7,893
EBIT	-2,550	6,196	-87	3,559

Q4 2016 (EUR 1000)	B2C	B2B	ELIMINATION	TOTAL
REVENUE	17,927	5,060	-1,492	21,495
COST OF SALES	4,935	127	-1,010	4,052
MARKETING COST	7,292	197	-482	7,007
EBITDA	1,317	2,545	-	3,862
EBIT	1,087	1,708	-	2,795

2017 (EUR 1000)	B2C	B2B	ELIMINATION	TOTAL
REVENUE	85,981	44,391	-9,949	120,423
COST OF SALES	25,554	957	-5,990	20,521
MARKETING COST	48,806	2,069	-3,782	47,093
EBITDA	-9,002	21,628	-105	12,521
EBIT	-9,875	11,589	-105	1,609

2016 (EUR 1000)	B2C	B2B	ELIMINATION	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	-1,126	6,942	-	5,816
EBIT	-1,688	4,458	-	2,770

5. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are calculated by dividing the net income (loss) for the period, plus or minus applicable dividends, by the weighted number of shares outstanding. Diluted earnings (loss) per share utilize the same numerator, but outstanding shares in gain periods include the dilutive effect of outstanding warrants and options determined by the treasury stock method. As of 31 December 2017, the Company had 18,960,000 options outstanding.

6. CHANGES IN EQUITY

Pursuant to a reverse merger transaction consummated effective 17 June 2015, Limited became a wholly-owned subsidiary of GiG and the sellers were entitled to a variable consideration of up to a maximum of 125 million earn-out-shares, provided that Limited reached certain revenue targets. 47,900,000 shares were issued in May 2016 based on the 2015 results and the balance of 77,100,000 shares were issued in June 2017 based on the 2016 results.

895,656,266 shares (par value USD 0.10) were outstanding as of 31 December 2017, where of the Company owned no treasury shares.

7. LOANS PAYABLE SHAREHOLDERS

In June 2015, the Company entered into loan agreements for NOK 7,000,000 with an interest rate of 10% per annum when matured 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, 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 December 2017 and 2016 were EUR 0 and EUR 3,406,994, respectively with accrued interest of EUR 0 and EUR 15,386 respectively. Long term loans outstanding balances at 31 December 2017 and 2016 were EUR 1,194,065 and EUR 2,660,921, respectively with accrued interest of EUR 8,628 and EUR 0, 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 have 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 December 2017 was EUR 66,465,902 with accrued interest of EUR 3,149,270. The bonds are registered in the Norway Central Securities Depository and listed on the Oslo Stock Exchange.

9. ACQUISITIONS

In February 2017, the Company agreed to purchase affiliate assets for a total consideration of EUR 3,460,855. The acquisition was finalized in April 2017 and was paid with proceeds from the senior secured bond. The consideration paid has been allocated with EUR 2,480,487 to domains/ search engine optimization (SEO) and the balance EUR 980,368 to affiliate contracts.

In March 2017, the Company entered into an agreement to purchase affiliate website Casinotopsonline.com including all related assets for a consideration of EUR 11,500,000 million. The acquisition was finalized in April 2017 and was paid with proceeds from the senior secured bond. The consideration paid has been allocated with EUR 9,107,854 to domains/SEO and the balance EUR 2,392,146 to affiliate contracts.

In April 2017, the Company entered into an agreement to purchase an affiliate network for a total consideration of EUR 5,700,000. The acquisition was finalized in May 2017 and was paid with proceeds from the senior secured bond. The consideration paid has been allocated with EUR 4,418,596 to domains/SEO, EUR 200,000 to a consultancy agreement that is amortized over 2 years, and the balance EUR 1,081,404 to affiliate contracts.

In July 2017, the Company entered into an agreement to purchase affiliate assets from STK Marketing Ltd. for the amount of NOK 240 million (EUR 26,084,690). The transaction was closed as of 1 August 2017. The acquisition was settled primarily with proceeds from the senior secured bond. The first half of the settlement was paid at closing and the remainder was paid in December 2017. The consideration paid has been allocated with EUR 20,088,990 to domains/SEO and the balance EUR 5,995,700 to affiliate contracts.

In September 2017, the Company entered into an agreement to purchase Rebel Penguin ApS for the amount of EUR 12,698,522. The transaction was closed as of 26 September 2017. The acquisition was settled with proceeds from the senior secured bond (EUR 9,119,996) and the transfer of 7,165,000 treasury shares with a market value of EUR 3,578,526. The acquired domains are valued at EUR 899,175 and the acquired affiliate contracts are valued at EUR 267,736. The acquired proprietary technology is valued at EUR 5,665,352 and is amortized over three years. Goodwill of EUR 5,581,433 represents the excess of acquired assets over the consideration price. The table below summarizes the price paid and the fair value of the acquired assets and assumed liabilities:

PURCHASE PRICE ALLOCATION - REBEL PENGUINS APS	
CONSIDERATION	
Treasury stock transferred	3,579
Cash	9,120
CONSIDERATION PRICE (EUR 1000)	**12,699**
ASSET VALUATION	
Property, plant and equipment	121
Current assets	736
Liabilities	-572
Domains	899
Affiliate contracts	268
Proprietary technology	5,665
ASSET VALUATION (EUR 1000)	**7,117**
GOODWILL	**5,581**

The acquired operations of Rebel Penguin ApS contributed EUR 1.5 million to GiG's revenues and EUR 0.06 million to GiG's net profit in the fourth quarter 2017. The tables below show how the acquisitions have contributed to GiG in 2017 if acquired as of 1 January 2017:

Q4 2017 (EUR 1000)	GIG EXCL. REBEL PENGUIN	REBEL PENGUIN	GIG
REVENUE	38,444	1,485	39,929
EBITDA	7,594	299	7,893
EBIT	3,320	239	3,559
NET RESULTS	3,236	60	3,296

2017 (EUR 1000)	GIG EXCL. REBEL PENGUIN	REBEL PENGUIN	GIG
REVENUE	118,845	1,578	120,423
EBITDA	12,209	312	12,521
EBIT	1,360	249	1,609
NET RESULTS	21	70	91

Acquired domains/SEO are amortized over an expected life of 8 years and affiliate contracts are amortized over an expected life of 3 years.

10. RELATED PARTY TRANSACTIONS

There were no other material related party transactions in the fourth quarter of 2017 and the year ended 31 December 2017 than reported above in Note 7.

11. SUBSEQUENT EVENTS

Subsequent to the fourth quarter 2017, 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. 850,000 options have been cancelled in 2018, resulting in 19,910,000 as of the date of this report.

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

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.

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 fourth quarter 2017 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

EUR - UNAUDITED	Q4 2017	Q4 2016	2017	2016
REVENUES	39 928 620	21 494 763	120 422 813	53 604 995
Cost of sales	6 515 981	4 051 933	20 521 383	9 284 807
GROSS PROFIT	33 412 639	17 442 830	99 901 430	44 320 188
OPERATING EXPENSES				
Marketing expenses - revenue share	4 634 598	3 278 555	15 392 065	7 874 744
Marketing expenses - other	8 467 540	3 728 667	31 700 747	11 218 789
Other operating expenses	12 094 802	6 244 154	38 995 678	18 294 074
TOTAL OPERATING EXPENSES	25 196 940	13 251 376	86 088 490	37 387 607
EBITDA	8 215 699	4 191 454	13 812 940	6 932 581
Depreciation & amortization	4 323 278	1 057 504	10 873 737	3 008 006
EBIT	3 892 421	3 133 950	2 939 203	3 924 575
Other income (expense)	158 972	-885 552	-1 718 862	-1 094 697
Unrealized gain (loss) on derivative asset	0	0	0	1 337 676
RESULT BEFORE INCOME TAXES	4 051 393	2 248 398	1 220 341	4 167 554
Tax income/(expense)	-890 680	-250 630	-972 504	-363 842
NET RESULTS	3 160 713	1 997 768	247 837	3 803 712
Exchange differences on translation of foreign operations	-92 291	202 052	-522 719	202 052
Fair value movement in available for sale investment	-11 538	0	1 280 582	-69 459
TOTAL COMPREHENSIVE INCOME (LOSS)	3 056 884	2 199 820	1 005 700	3 936 305
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	3 046 758	2 197 493	988 184	4 049 442
Non-controlling interests	10 126	2 327	17 516	-113 137
TOTAL COMPREHENSIVE INCOME (LOSS)	3 056 884	2 199 820	1 005 700	3 936 305

GAMING INNOVATION GROUP PLC.

Condensed Statements of Financial Position

EUR - UNAUDITED	31 DEC 2017	31 DEC 2016
ASSETS		
NON-CURRENT ASSETS:		
Goodwill	53 755 983	48 267 219
Intangible assets	85 552 884	34 722 407
Deposits and other non-current assets	7 178 176	2 431 324
Total non-current assets	146 487 043	85 420 950
CURRENT ASSETS:		
Prepaid and other current assets		
Trade and other receivables	24 769 206	12 532 193
Cash and cash equivalents	11 785 094	5 828 151
Total current assets	36 554 300	18 360 344
TOTAL ASSETS	183 041 343	103 781 294
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	53 600	4 068
Share premium/reserves	-416 833	-6 618 140
Retained earnings (deficit)	-749 228	-753 546
TOTAL EQUITY ATTRIBUTABLE TO GG PLC.	-1 112 461	-7 367 618
Non-controlling interests	23 471	5 957
TOTAL SHAREHOLDERS' EQUITY	-1 088 990	-7 361 661
LIABILITIES:		
Trade payables and accrued expenses	28 367 697	14 807 368
Inter-co GiG Inc.	88 468 122	96 335 587
Short term loans	-	-
TOTAL CURRENT LIABILITIES	116 835 819	111 142 955
Bond payable	66 465 902	-
Deferred tax liability	828 612	-
Other long term liabilities	-	-
TOTAL LONG TERM LIABILITIES	67 294 514	-
TOTAL LIABILITIES	184 130 333	111 142 955
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	183 041 343	103 781 294
CONDENSED STATEMENTS OF CHANGES IN EQUITY:		
EQUITY AT BEGINNING OF PERIOD	-7 361 661	7 007 366
Transfer of subsidiaries	-	-1 472 292
Acquisition of NCI	-	-14 500 094
Issue of share capital	49 532	-
Treasury shares issued for acquisition	3 550 879	-
Fair value movement in available for sale investments	1 280 582	-69 459
Share compensation expense	1 666 560	378 787
Non-controlling interests	17 516	-113 137
Change in value of derivative assets	-	-2 703 454
Exchange differences on translation of foreign operations	-522 719	202 052
Net results	230 321	3 908 570
EQUITY AT END OF PERIOD	-1 088 990	-7 361 661

GAMING INNOVATION GROUP PLC.

Condensed Statements of Casf Flows

EUR - UNAUDITED	Q3 2017	Q3 2016	9M 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:				
Results before income taxes	4 051 393	2 248 398	1 220 341	4 167 554
Adjustments to reconcile profit before tax to net cash flow:				
Tax expense	-890 680	-250 630	-972 504	-363 842
Depreciation and amortization	4 323 278	1 057 504	10 873 737	3 008 006
Unrealized gain (loss) on derivative assets	-	-	-	-1 337 676
Other adjustments for non-cash items and changes in operating assets and liabilities	-5 164 745	-3 973 175	4 021 771	-822 276
NET CASH PROVIDED BY OPERATING ACTIVITIES	2 319 246	-917 903	15 143 345	4 651 766
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash acquired on acquisition of a subsidiary	-	-	-	1 454 477
Purchases of intangible assets	-1 979 637	-	-7 007 975	-1 712 374
Purchases of property, plant and equipment	-1 553 405	-107 270	-3 649 100	-464 256
Cash flow from other investing activities	-99 999	-957 515	-99 999	-
NET CASH USED BY INVESTING ACTIVITIES	-3 633 041	-1 064 785	-10 757 074	-722 153
CASH FLOWS FROM FINANCING ACTIVITIES:				
Share capital issued	-	-	49 532	-
Loan from related party	1 505 778	-	2 240 437	-253 664
Cash flow from other investing activities	-	-	-1 477 160	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1 505 778	-	812 809	-253 664
Translation loss	-92 291	202 052	-522 719	202 052
Fair value movements	-11 538	-	1 280 582	-69 459
NET INCREASE (DECREASE) IN CASH	88 154	-1 780 636	5 956 943	3 808 542
Cash and cash equivalents - beginning	11 696 940	7 608 787	5 828 151	2 019 609
CASH AND CASH EQUIVALENTS - END	11 785 094	5 828 151	11 785 094	5 828 151

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