



**GiG**

**Q3 2018**

**INTERIM  
REPORT**

**6 NOV 2018**

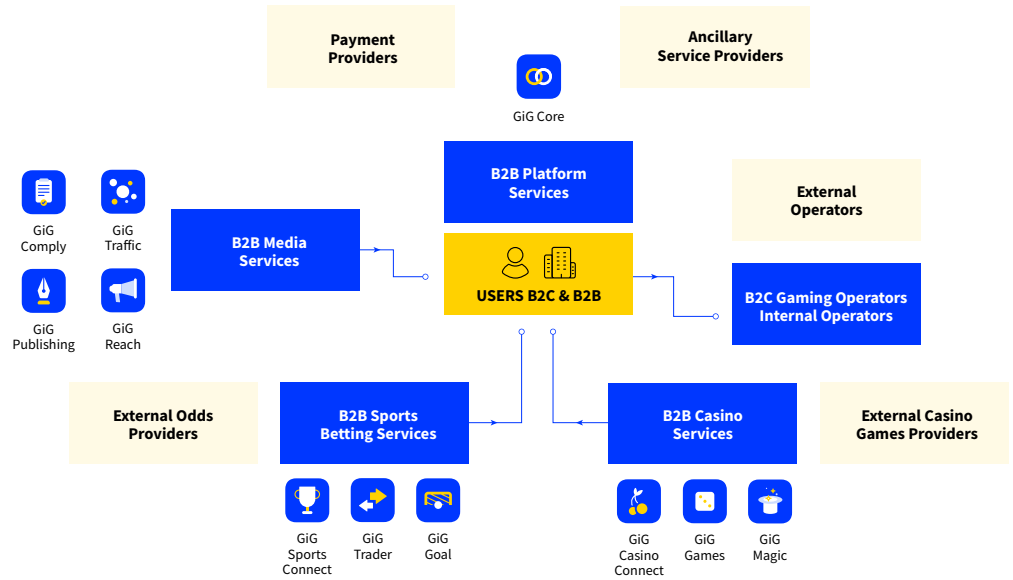
[gig.com](http://gig.com)



# GiG'S ECOSYSTEM EXPLAINED

GiG's vision is: "Opening up iGaming, making it fair and fun for all". The Company's ecosystem consists of a range of products and services which are connecting end users, operators and suppliers, creating synergistic effects and margin potential for all.





GiG B2B iGaming products and services are sold both as part of the ecosystem and independently.













"WE ARE BECOMING THE ONE STOP SHOP FOR EVERY COMPANY SERIOUS ABOUT ITS iGAMING BUSINESS"

## GiG'S VALUE CHAIN

GiG's in-house developed products and services are present in the entire iGaming value chain:

|                |  |  |  |  |
|----------------|---|--|---|---|
| Value Chain    | Lead Generators   | Platform Suppliers   | Odds & Games Developers   | Gaming Operators  |
| What           | Finding & referring end users to operators  | Cloud based platform services  | Sports & Casino Services  | In-house operators  |
| Business model | Revenue share & fixed fees  | Revenue share & fixed fees   | Revenue share & fixed fees  | Bets minus Wins   |
| Customer       | Gaming operators  | Gaming operators   | Gaming operators & platform suppliers   | Direct end users  |
| Business type  | B2B   | B2B  | B2B   | B2C   |
| GiG Verticals  | Media Services  | Platform Services  | Sports Betting Services & Casino Services   | Gaming Operators  |

| CATEGORY                      | PRODUCT  | BUSINESS DESCRIPTION   |
|-------------------------------|--|--|
| Platform Services (B2B)       |  GiG Core             | GiG Core is a cloud-based solution licensed in multiple jurisdictions. It provides iGaming operators with the technical foundation they need for their operations. Operators can access any GiG product through GiG Core, including third party game suppliers, multiple payment options and added features such as our front end solution, GiG Magic. |
| Media Services (B2B)          |  GiG Publishing       | GiG Publishing is an extensive network of multilingual and multi-market editorial websites. It is built on Search Engine Optimization (SEO) principles to answer user queries and keyword searches in Google.  |
|                               |  GiG Traffic          | We generate high-quality iGaming customer leads across casino and sportsbook verticals via paid digital marketing campaigns. With GiG Traffic we engage by using data-driven campaign optimisation.  |
|                               |  GiG Reach            | This is a 360° media offer, where we put together all our media capabilities and partner with our customers to understand their goals and challenges, form a strategy, build the marketing machine and then power.   |
|                               |  GiG Comply          | Comply monitors advertising partners with respect to regulatory requirements to ensure compliance, it is fully customisable to each respective client’s needs or market standards. Operators can protect their brands by automatically monitoring, controlling and managing where and how they are being advertised across thousands of websites.      |
| Casino Services (B2B)         |  GiG Games          | GiG Games is a Games studio creating a new generation of games, we are here to disrupt the market, bringing a new user-first approach. Our games include a variety of slots, leading table games and instant win games.  |
|                               |  GiG Magic          | GiG Magic turns the operators’ casino front end into a best-in-class user experience across all devices. Our extensive technical client library gives operators building blocks to create a mobile-first website, complete with features such as content handling, demographic filters and game management.  |
|                               |  GiG Casino Connect | Casino connect is a scalable aggregator platform where GiG can sell both in-house developed games and games from third party game suppliers. The operator only needs to integrate with one partner – GiG - and get access to multiple game providers.  |
| Sports Betting Services (B2B) |  GiG Sports Connect | Our odds and data services give operators proprietary odds generated in real time using computer algorithms and data feeds. This service also aggregates odds and data from third party providers. It covers fixtures, futures, pre-match, live betting and settlement.  |
|                               |  GiG Goal           | This is our cutting-edge front end with easy navigation and an optimised user journey. It is responsive and mobile first with a learning recommendation to engine to where the operator can tailor make its marketing efforts and increase player lifetime value.  |
|                               |  GiG Trader         | These are our state-of-the-art trading tools and risk management services, built from the ground-up, responsive with exceptional UX for optimising. They are a complete trading tool.  |

Gaming Operators (B2C)



# GAMING INNOVATION GROUP INC.

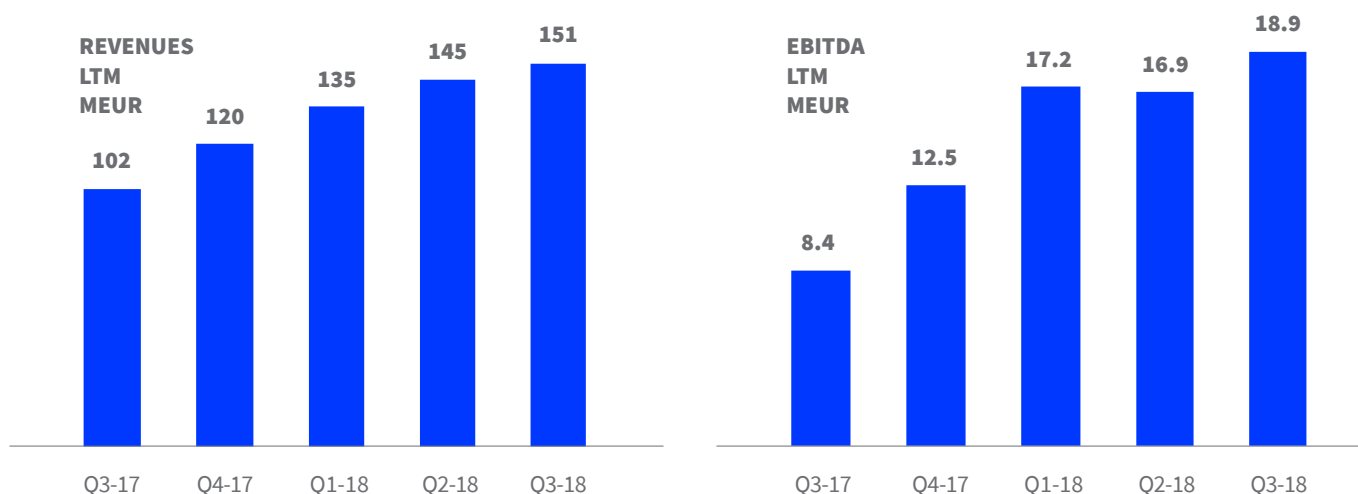
## Q3 2018 INTERIM REPORT

### Key Figures

| MEUR                      | Q3 2018 | Q3 2017 | 9M 2018 | 9M 2017 | 2017  |
|---------------------------|---------|---------|---------|---------|-------|
| <b>REVENUE</b>            | 37.3    | 30.8    | 111.5   | 80.5    | 120.4 |
| <b>GROSS PROFIT</b>       | 30.9    | 25.9    | 91.9    | 66.5    | 99.9  |
| <b>MARKETING EXPENSES</b> | 10.6    | 11.9    | 35.7    | 34.0    | 47.1  |
| <b>OPERATING EXPENSES</b> | 15.3    | 10.9    | 24.2    | 27.9    | 40.3  |
| <b>EBITDA</b>             | 5.0     | 3.0     | 11.0    | 4.6     | 12.5  |

### HIGHLIGHTS

- Revenues were EUR 37.3 (30.8) million, a 21% increase over Q3 2017, whereof 17% was organic
- EBITDA was EUR 5.0 (3.0) million, a 66% increase from Q3 2017
- Revenues for the B2B segment amounted to EUR 15.4 (11.6) million, an increase of 33%. EBITDA was EUR 3.7 (5.3) million
- Revenues for the B2C segment amounted to EUR 24.4 (21.9) million, an increase of 11%. EBITDA was EUR 1.4 (-2.2) million
- First external Sportsbook agreement with Latvian operator 11.lv
- Mr Green signed as GiG's first external customer for its compliance tool GiG Comply
- Hard Rock International signed a Letter of Intent for GiG's omni-channel Sportsbook solution
- GiG Games launched its first in-house developed game and signs first contract with game studio
- Sportsbook agreement with existing operator Metal Casino
- Listing at NASDAQ Stockholm (main list) planned for Q1 2019
- Full year 2018 guidance updated, revenues EUR 149 - 152 million, EBITDA EUR 16 - 18 million





## LETTER FROM THE CEO

“Dear Shareholders,

It has been a very eventful year so far with many milestones reached, other successes and a strong pipeline of opportunities. I am immensely proud of what GiG has achieved in only six years from ideation to our now complete ecosystem supporting operators driving revenues and gaining market share across the value chain. GiG is now able to provide a complete turnkey solution.

This quarter, we have delivered the last building blocks to our ecosystem, our own games and omni-channel solution, to cover all verticals in iGaming. We have created a base from where now, with full force, we can drive forward as the full service provider which every company serious about iGaming must be part of.

In Q3 to date we have: continued launching new digital and innovative solutions with GiG Comply and our in-house developed games; we have signed our first external Sportsbook customers with 11.lv and MetalCasino; we have signed an LOI with Hard Rock for an omni-channel Sportsbook solution offering seamless integration for the US end users; we have signed our first external poker agreement and also reached agreements with both a game studio and a game aggregator to further boost growth.

During the last six years we have invested heavily in technology and people to arrive to where we are now and it did not stop in Q3. At the same time, we have managed to grow both revenues and profits during this period. It is clearly an achievement to see the Q3 numbers where revenues increased by 21% and EBITDA grew by 66% compared to Q3 last year.

Our technical platform was in the quarter awarded the prestigious ISO 27001 certification, confirming it is operating to the highest specification of information security available. We will continue to invest in technology and in the creation of innovative solutions to support the growth of our partners and the protection of their end users. These developments and digital solutions demand a stable and safe platform.

In the third quarter we continued to take actions to improve profitability with our in-house operators. It is paying off, one of our operators are now offering ‘Pay N Play’ solutions and our main operator Rizk is growing. We have appointed Tim Parker as Chief Marketing Officer to further add dedicated strength behind our own brands. Tim has prior to this shown great success as the managing director of our most successful in-house brand Rizk.

Technology continues to develop at a fast pace with digital innovation supporting the development of disruptive brand solutions and new market needs. We see the development from offline to online in iGaming to be only at its infancy. These are digital transformations where entertainment and UX is key to create sticky revenues and a loyal end user base for the operators, where mobile first solutions will win. As we have shown with Hard Rock International, we are well positioned to grasp the opportunity when big brand new entrants are looking for a partner to take them by the hand and lead the way to a strong market position in regulated markets.

Our ecosystem is a full operator toolkit delivering business solutions in a customer intimate partnership. We create value and synergies, offering knowledge, UX, compliance and a supplier market built on scale and aggregation, all delivered with cutting edge technology.

The market is rapidly evolving with further consolidation supporting the outsourcing trend, offline brands seeing alpha in the online world and where regulation and the need for compliant tools changes by the minute. All these dynamics are creating both opportunities and increased need for resource for GiG. We are embracing these changes and are well positioned to expand in crucial industry segments where our compliant solutions are supporting regulatory changes.

I am proud of our dedicated and skilled staff and delighted to see GiG employees won four competitive awards at this year’s iGaming Idol Awards, hosted in Malta. Company finalists featured in nine out of 20 categories, demonstrating the talented people who are part of GiG. GiG also received ‘Employer Branding of the Year’ title. In a strong partnership, we lead our customers and we lead our staff to deliver to our vision of ‘Opening up iGaming, making it fair and fun for all’.

We have a pipeline of opportunities and ambitious geographical expansion plans to build on our key strengths, both towards our full year 2018 targets and to accelerate both our roster of customers and iGaming solutions from our ecosystem from 2019 onwards.”

**Robin Reed**  
CEO

# GAMING INNOVATION GROUP

## Q2 2018 INTERIM REPORT

### SUMMARY

#### Q3 Financial Highlights

Consolidated revenues for Gaming Innovation Group Inc. (GiG) ended at EUR 37.3 million in the third quarter 2018. This is a 21% increase from the third quarter 2017 (EUR 30.8 million).

Gross profit for the group was EUR 30.9 (25.9) million in the third quarter 2018, a 20% increase from the third quarter last year. Gross profit margin for the quarter came in at 83% (84%).

Marketing expenses were EUR 10.6 (11.9) million in the third quarter 2018, an 11% decrease from the third quarter 2017. Marketing expenses' share of total revenues were 29% in the third quarter 2018, down from 39% in the third quarter 2017. Marketing expenses decreased 19% quarter over quarter as a result of the marketing mix initiatives taken in the second quarter, changing from TV advertising to affiliate marketing, social media and other marketing channels.

Other operating expenses amounted to EUR 15.3 (10.9) million in the third quarter, a 40% increase from the third quarter 2017. The initiatives taken to reduce operating expenses resulted in a 3%

decline from the second quarter. Further cost reduction relative to revenues is expected in the coming quarters.

EBITDA for the third quarter 2018 was EUR 5.0 (3.0) million, a 66% increase from the third quarter 2017.

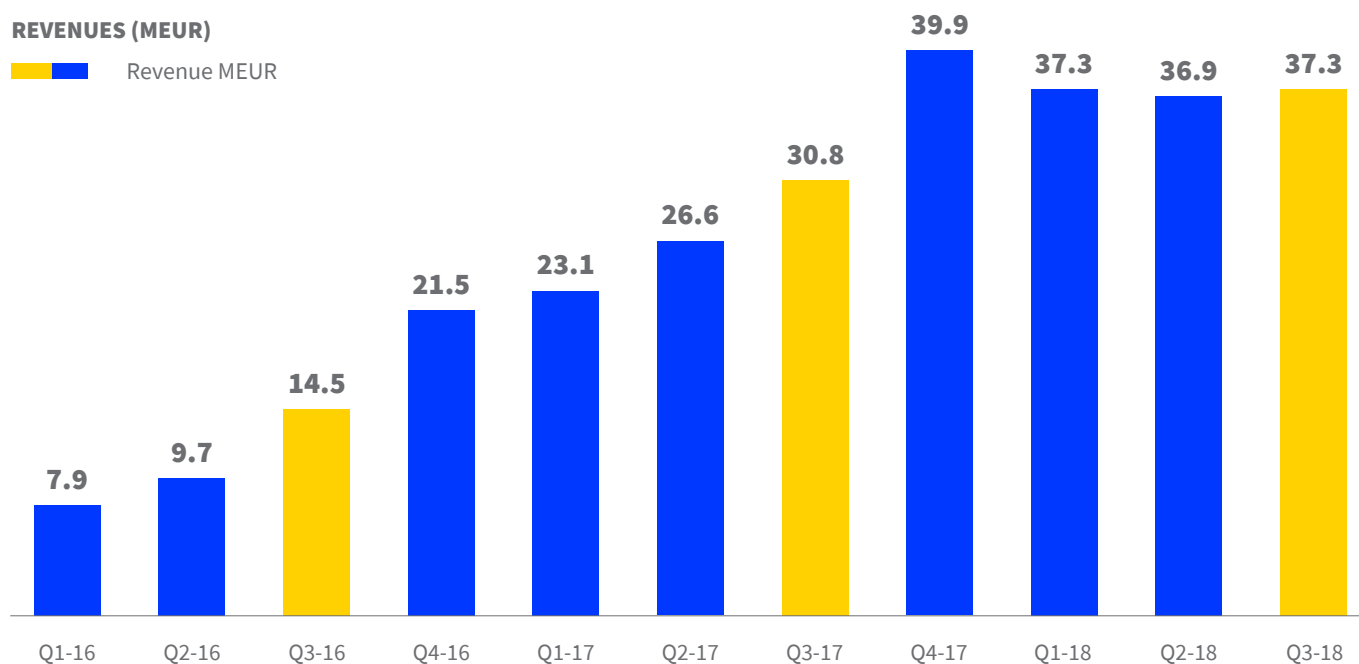
Depreciation and amortisation amounted to EUR 5.0 (3.2) million in the third quarter 2018. Depreciation and amortisation expenses are mainly related to amortisation of intangible assets from affiliate acquisitions completed over the last three years and capitalised investments in core technology.

EBIT was EUR 0.1 (-0.1) million in the quarter.

Net other income was EUR -2.6 (-0.3) million in the third quarter 2018 and included EUR 1.2 million in interest and an unrealised loss of EUR 0.8 million related to the Company's bond due to the change in the SEK/EUR exchange rate in the quarter. The net result for the third quarter was EUR -2.6 (-0.5) million.

#### REVENUES (MEUR)

Revenue MEUR



## OPERATIONAL UPDATE

### Media Services (B2B)

#### GiG signed first external customer to GiG Comply

GiG signed an agreement with Mr Green, one of the brands of MRG Group (MRG), for the provision of the new and innovative B2B marketing compliance technology, GiG Comply.

GiG Comply is a monitoring service designed in response to operators' needs to further strengthen control over third party advertising and brand protection. This scalable service supports operators to adhere to complex advertising standards in regulated markets, detecting promotion on websites which are not 'brand-safe'. It also protects them from misleading advertising in their name.

### Platform Services – GiG Core (B2B)

#### GiG awarded ISO 27001 certification

GiG has been awarded the ISO 27001:2013 certification. The certification gives a solid foundation to operators looking for a robust and agile security framework to protect their clients' and end users' data to the highest specification of information security available. The certification covers development, infrastructure, network configuration and associated product operations for Gaming services hosted on the GiG Core platform and its Information Security Management System (ISMS).

#### GiG signed first external poker agreement

GiG reached a milestone by signing an agreement with One Time Marketing Services LLC for its brand OneTimePoker for the provision of poker and casino services through the GiG Core platform.

GiG Core's seamlessly integrated poker product, powered via Microgaming Poker Network (MPN), will also offer 'casino in poker' (the player plays against the casino and not against other players) and receive other third party casino content via GiG Core. GiG has offered poker on its in-house operator Guts since 2015.

### Sports Betting Services (B2B)

#### First external Sportsbook contract signed with 11.lv

GiG reached a milestone during Q3 by signing its first external Sportsbook contract including a multi-year extension of existing partner 11.lv in Latvia.

11.lv is Latvia's third largest licensed iGaming operator. In June, MRG announced its acquisition of 75% of the shares in 11.lv.

## EVENTS AFTER Q3

### Casino Services (B2B)

#### GiG Games successfully launched its first in-house developed game

GiG launched its first in-house developed game, 'Wild Reels', under the new product line GiG Games, part of GiG's Casino Services, it was initially launched onto GiG's own internal operators. GiG Games studio has been in development for the past year and develops gaming products including slots and table games.

GiG expects to have launched a total of six to eight of its own developed games and to launch a number of additional games through collaborations with external game studios before the end of H1 2019.

#### GiG signed its first contracts with a game studio and a game aggregator

GiG signed an agreement with game studio Jade Rabbit where they will build games directly onto GiG's Remote Gaming Server, enabling GiG to release their games on every market which GiG is active in and to every operator GiG integrates to. The first game from Jade Rabbit will be launched in H1 2019, the contract is for six games in total. A minimum of four games are expected to be launched in 2019.

GiG also signed an agreement with casino games aggregator Join Games, which will act as a reseller for GiG Games, initially in Italy and Latin America. The plan is to release the first game on its platform in Q1 2019. Join Games is a very strong aggregator in the Italian and in the Latin American markets.

### Sports Betting Services (B2B)

#### Hard Rock International – LOI for GiG Sportsbook

GiG's existing partner Hard Rock signed a letter of intent for the provision of omni-channel Sports Betting Services. The omni-channel covers retail and online sports betting solutions where the retail solution includes OTC (Over-the-Counter) and betting terminals including anonymous betting. GiG will support a seamless account, which significantly enhances UX and ease of transactions for the player.

GiG is already supporting the growth of Hard Rock's digital gaming division with its technical platform and has, in collaboration with the Hard Rock team, designed and developed the front end solutions for its successful casino offering.

The fourth quarter revenues are expected to include a small contribution from both casino and sport from Hard Rock with an improvement from Q1 2019 onwards.

#### The potential of US sports betting

In June, GiG received approval to operate in the state of New Jersey. GiG will apply for any further licence in the US market on a customer led basis.

GiG expects it to take some time before seeing a significant number of states re-regulate to allow sports betting. The US is a highly competitive market and GiG will continue to invest and add resource to further develop and position our B2B services in the US for the long term.

#### **GiG signed a Sportsbook agreement with Metal Casino**

GiG expanded its cooperation with existing customer Metal Casino to also provide its sports betting services. MetalCasino has been a customer on the GiG Core platform for a year and will be offering its end users both Casino and Sports powered by GiG. The Sportsbook is expected to be launch during H1 2019.

#### **GiG granted permission for sports betting in the UK**

The UK Gambling Commission (UKGC), granted GiG permission to offer its sports betting services under its B2B licence. The licence complements GiG's existing software and B2C licence in the UK. It will enable the Company to offer its sports betting services to its existing white label customers as well as other external brands operating in the UK market. The first operator launched under this permission was the in-house brand Rizk.

## **Gaming Operators (B2C)**

GiG submitted licence applications to the Swedish Gambling Authority (Lotteriinspektionen) for two licences on 1 August 2018, one for white label operators and one for our in-house operators and has now applied for an additional four licences. Sweden will re-regulate the gambling market by introducing a new gambling law with effect from 1 January 2019, the new law will carry a betting duty of 18%.

From October, Tim Parker has been promoted to Chief Marketing Officer of GiG. Tim was previously Managing Director of Rizk, the largest in-house operator of the Company. Before joining GiG in 2015, he was the CEO of GoldBet. In the role of CMO, he succeeds Robin Reed, who had on 1 April 2018 temporarily taken on the role of acting CMO in addition to his role as CEO.

GiG has seven in-house brands. Measures are being taken to make the business vertical more efficient and more profitable for the long term. GiG's brand SuperLenny is on the way to being transformed to an in-house affiliate brand under Media Services.

GiG offers an instant registration and payment option for its operators using Trustly's Pay N Play system. The system allows players to optionally register and pay through their online banking accounts in Sweden and Finland, with Germany soon to be offered. This will allow GiG's customers to further boost acquisition, build loyalty and stay compliant.

The technology is offered to operators on the GiG Core platform, with GiG's in-house brand Kaboo live from September, alongside external brands Omnia and the newly launched Dreamz. GiG plans to offer this to other external and internal operators in the near future. GiG's in-house brand Thrills was at the end of October launched as a pure Pay N Play operator in Finland,

Sweden and Germany. Internal brand Guts will follow a similar route in the beginning of 2019 with its 'Guts Express'.

## **Miscellaneous**

#### **Capital Markets Day**

GiG invites investors, analysts and media to participate at its inaugural Capital Markets Day on 4 December 2018 at Berns, Kammarsalen, Stockholm at 13:30 – 17:30. Detailed invitation will be published and participants are required to notify their attendance.

#### **Update on the listing at NASDAQ Stockholm**

GiG is aiming to move its listing from Oslo to NASDAQ Stockholm (main list) in the first quarter of 2019, pending market conditions. GiG will communicate further details to the market when details are formalised, and will invite to a special shareholder meeting in Oslo to vote on the listing from Oslo Børs to Nasdaq Stockholm and the election of new board members.

## **OUTLOOK**

GiG has over the last six years invested heavily into technology and the development of its ecosystem, at the same time, it has managed to deliver increased revenues and profits.

GiG's decision to focus on regulated markets and actively contributing to minimise problem gambling for individuals, together with regulatory pressure and increased taxation, will however impact margins short term. Cost control measures, new products and an increased roster of customers, are expected to contribute to sustainable profitability and revenue growth mid to long term. The Company sees strong interest for its services and products with an increasingly healthy pipeline of opportunities.

GiG's focus on big brand new entrants, offline to online and Tier 1/ Tier 2 operators in regulated or soon-to-be regulated markets, results in longer sales cycles and resource needed for sales and integration. GiG builds for a long term sustainable business and this strategy is expected to contribute to accelerated revenues and profitability.

During the last six months, measures have been taken to improve profitability and general performance with GiG's in-house operators. GiG's brands as a group performed somewhat lower than expected in the third quarter, however with the main brands showing good growth within their core markets.

GiG expects full year revenues between EUR 149m and 152m with an EBITDA between EUR 16m and 18m.



# OPERATIONAL REVIEW

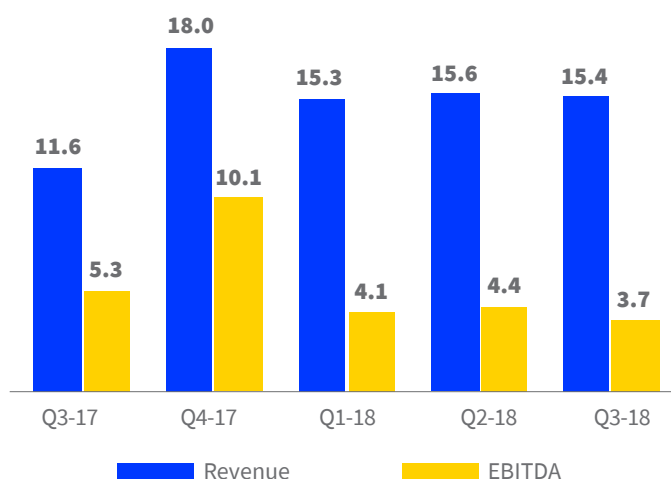
## B2B SERVICES

This segment includes GiG's lead generation (Media Services), GiG Core (Platform Services), sports betting and games services (Sports Betting Services and Casino Services).

| MEUR           | Q3 2018 | Q3 2017 | 9M 2018 | 9M 2017 | 2017 |
|----------------|---------|---------|---------|---------|------|
| <b>REVENUE</b> | 15.4    | 11.6    | 46.3    | 26.4    | 44.4 |
| <b>EBITDA</b>  | 3.7     | 5.3     | 12.2    | 11.5    | 21.6 |

Revenues for the B2B segment amounted to EUR 15.4 (11.6) million in the third quarter 2018, a 33 % increase from the third quarter 2017, whereof 21% was organic. EBITDA was EUR 3.7 (5.3) million in the quarter with an EBITDA margin of 24% (46%). The reduction in EBITDA margin is mainly explained by the addition of paid media business in Media Services and the negative EBITDA contribution from Sports where increased staff for the development of the new Sportsbook resulted in temporarily higher operating expense.

**B2B SEGMENT  
REVENUE & EBITDA  
(MEUR)**



## MEDIA SERVICES

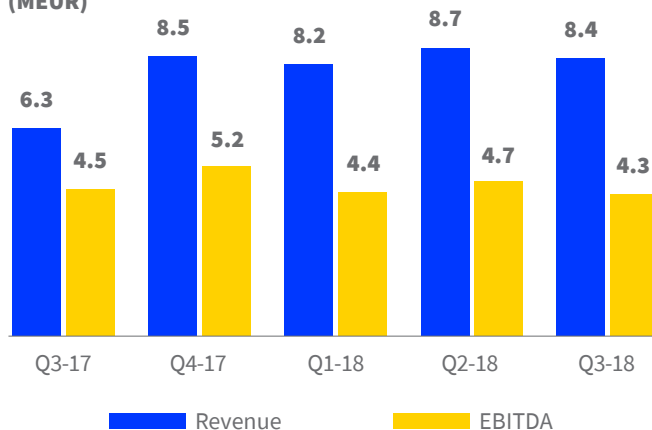
Revenues in Media Services were EUR 8.4 (6.3) million in the third quarter 2018, a 33% increase. Organic growth was 11% from the third quarter 2017. Correcting for the Dutch market, organic growth was 19% (as mentioned in the Q4 2017 report). Media Services decided to take down all advertisement from Dutch facing affiliate websites in 2018 in preparation for a regulated market.

Media Services referred 29,288 new FTDs (First Time Depositors) to operators in the third quarter 2018, in line with the 29,029 in the third quarter 2017. A significant part of the FTDs are related to sports and impacted by Q3 being a seasonally slow quarter with a low number of events in July and beginning of August. Of the new FTDs in the quarter, 6% (14%) were referred to GiG's own brands, 6% (18%) to GiG Core clients and the remaining 88% (68%) to other operators. The high number of FTDs referred to external clients was due to a continued competitive landscape for external traffic.

72% (74%) of revenues in the third quarter came from revenue share agreements, 13% (14%) from CPA (Cost per Acquisition) and 15% (12%) from listing fees.

The paid model represented 17% of Media Services revenues with the remaining 83% from GiG's traditional SEO (Search Engine Optimisation) publishing services. In Media's paid services, preparations and investments are being made to ensure, when new markets regulate and channels open up, further opportunities can be realised.

**MEDIA SERVICES  
REVENUE & EBITDA  
(MEUR)**



EBITDA for the quarter was EUR 4.3 (4.5) million with an EBITDA margin of 51% (71%). The decline in the EBITDA margin is partly explained by the paid media business acquired in September 2017 which has expenses related to purchase of media space which are standard for paid digital marketing channels. This amounted to EUR 0.5 million in the quarter. Media has also invested in staff and marketing compared to 2017 to ensure sustainability and growth for the future.

## PLATFORM SERVICES - GiG Core

Four new brands started their operations on the platform in the third quarter 2018, resulting in 37 brands operating on the platform in the quarter including GiG's seven own brands. Total database transactions increased by 50% to 4.8 (3.2) billion compared to the third quarter 2017. NGR from the external customer base in the ecosystem was in line with the second quarter 2018.

Revenues for GiG Core were EUR 6.8 (5.1) million in the third quarter 2018, an 33% increase, whereof 86% was external revenues from clients with the balance from GiG's own brands. All growth was organic. EBITDA for the quarter was EUR 1.7 (2.0) million, with an EBITDA margin of 25% (40%).

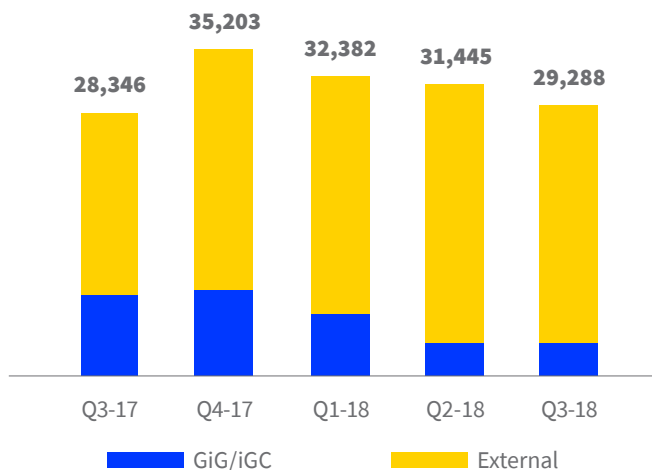
Effective from January 2018, GiG Magic was transferred from GiG Gaming to GiG Core. Previously, GiG Magic was the front end design tool for the internal Betit brands and has, in 2018, been developed into a B2B front end solution sold to external operators such as Hard Rock International, Rolla and Dunder. In the third quarter, GiG Magic's part of Core's revenues were EUR 0.6 million with an EBITDA of EUR -0.3 million.

GiG started its new sports betting services in the second quarter and effective from April, sports-related revenues have been allocated from Core to Sports Betting Services. By adjusting for both Magic and Sports, Core had an EBITDA margin of around 36% in the third quarter 2018 which is comparable to the 40% margin in third quarter 2017.

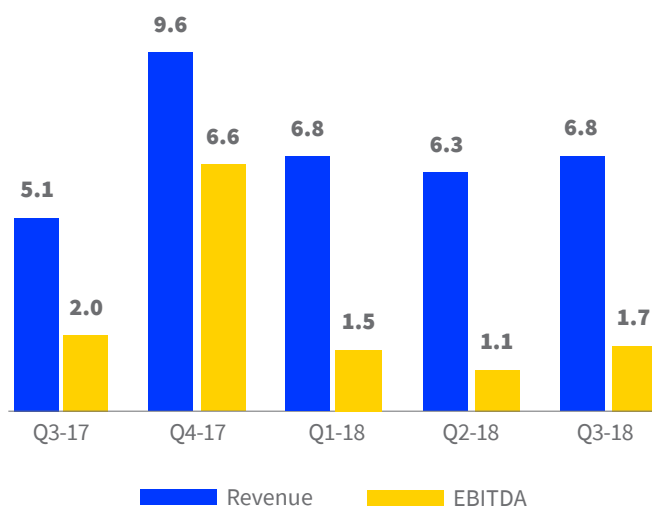
One new brand was signed in the third quarter 2018, and one brand discontinued its operations in the third quarter as it migrated to its own platform. Seven brands are currently in the pipeline, whereof three of these are expected to go live in Q4 2018. Existing live clients and the signed pipeline adds up to a total of 43 brands operating on the platform, including GiG's own brands.

GiG's increased focus on regulated and soon-to-be regulated markets has, as a consequence, led to the decision to terminate one customer on the Core platform. This result in a short-term negative revenue impact in GiG Core from Q1 or Q2 2019 which is expected to be offset by growth coming from new customers on the platform.

### FTDs MEDIA SERVICES



### PLATFORM SERVICES REVENUE & EBITDA (MEUR)



## SPORTS BETTING SERVICES

Sports Betting Services is offered as a full B2B solution and sports related revenue from existing GiG Core clients was shifted from GiG Core to Sports Betting Services effective from the second quarter 2018. Sports Betting Services includes both sports related revenues from B2B operators and GiG’s in-house generated revenues, where GiG placed bets against the sports betting market.

Revenues from Sports Betting Services were EUR 0.2 (0.2) million in the third quarter 2018, including a negative return from the trading of EUR -0.2 (0.2) million. In total, Sports Betting Services showed a negative EBITDA of EUR -2.1 million in the third quarter 2018. The negative EBITDA relates to increase in resource from fully scaling up and the preparation for the launch of the new B2B sports solutions in the second quarter 2018.

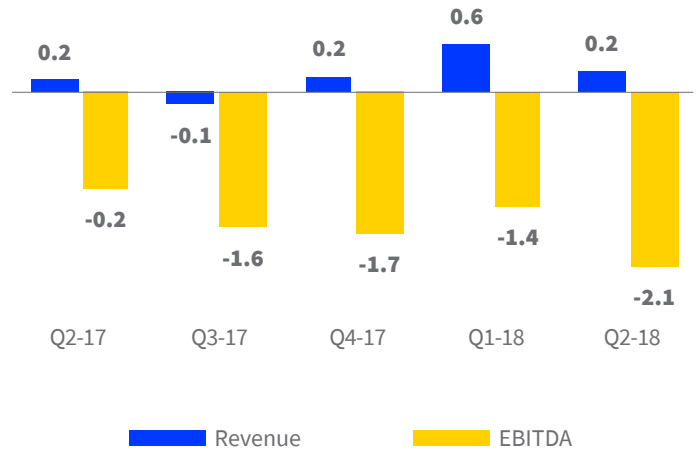
Following the same trend as in the previous quarter, the trading activity was negatively impacted by the Company’s focus on building its new sports betting services. The trading activity was conducted mainly to quality assure the competitiveness of GiG’s proprietary odds, calibrating and testing a range of new sports, models and algorithms, to improve the offering and the bet placement operation. The in-house trading operation has been ceased from October 2018 as the possibility to place larger bets in the market has been unfavourable and thus resources have been shifted to further strengthen the B2B offering.

## RESPONSIBLE GAMING

GiG is building a sustainable business, to provide a fair and safe gaming environment for its customers, suppliers and end users, adding long-term value to all stakeholders. The Company is investing in the legal, regulatory and compliance team.

Sustainability is a major driver of the business strategy and GiG is working towards incorporating facets throughout the whole value chain of customer facing and business operations (all aspects of the business). GiG values a close relationship with its customers and upholds strict rules to minimise harm caused by gambling; to prevent gambling from being a source of crime; and to ensure it is conducted in a fair and safe way.

**SPORTS BETTING SERVICES  
REVENUE & EBITDA  
(MEUR)**



## GAMING OPERATORS (B2C)

The B2C segment include GiG's seven in-house gaming operators; Rizk.com, Betspin.com, Guts.com, Kaboo.com, Thrills.com, Superlenny.com and Highroller.com.

| MEUR              | Q3 2018 | Q3 2017 | 9M 2018 | 9M 2017 | 2017  |
|-------------------|---------|---------|---------|---------|-------|
| REVENUE           | 24.4    | 21.9    | 74.0    | 60.6    | 86.0  |
| MARKETING EXPENSE | 10.2    | 12.6    | 35.0    | 35.3    | 48.8  |
| EBITDA            | 1.4     | -2.3    | -1.3    | -6.9    | -8.9  |
| TOTAL DEPOSITS    | 107.4   | 91.1    | 314.9   | 246.3   | 352.3 |

Revenues for the B2C gaming segment amounted to EUR 24.4 (21.9) million in the third quarter, a 11% increase, all organic growth.

44% (51%) of revenues came from regulated and soon-to-be regulated markets. Revenues were split with 73% (74%) from the Nordics, 4% (11%) from Western Europe, 18% (10%) from Central Europe and the balance, 5% (5%) from non-core markets.

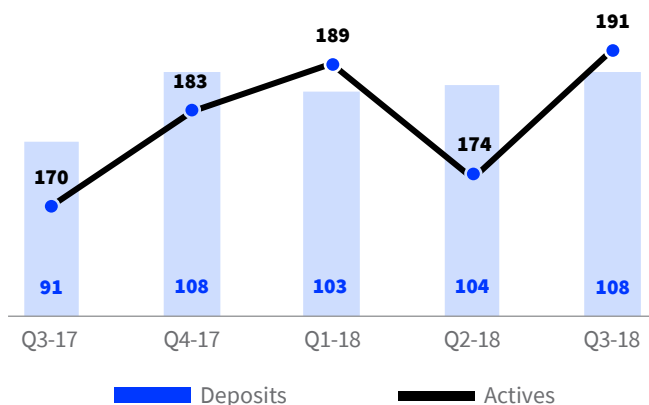
Up-front marketing investments decreased in the third quarter, resulting in a total B2C marketing expense of EUR 10.2 million, a decrease from EUR 12.6 million spent in the third quarter 2017 and EUR 13.1 million spent in the second quarter 2018. The decrease is a result of initiatives taken to change the mix in marketing from TV advertising to affiliate marketing and social media. Of the total B2C marketing expense, EUR 3.4 million or 32% (30%), was related to revenue share agreements, with the balance attributable to up-front payments including TV campaigns.

Gaming Operators showed an EBITDA for the quarter of EUR 1.4 million, a strong improvement from EUR -2.3 million in the third quarter 2017 and EUR -2.8 million in second quarter 2018. A further EUR 0.3 million has been accrued in the quarter as an allowance for a potential fine from UK Gambling Commission. A total of EUR 0.8 million has so far been accrued (EUR 0.5 million in the second quarter 2018).

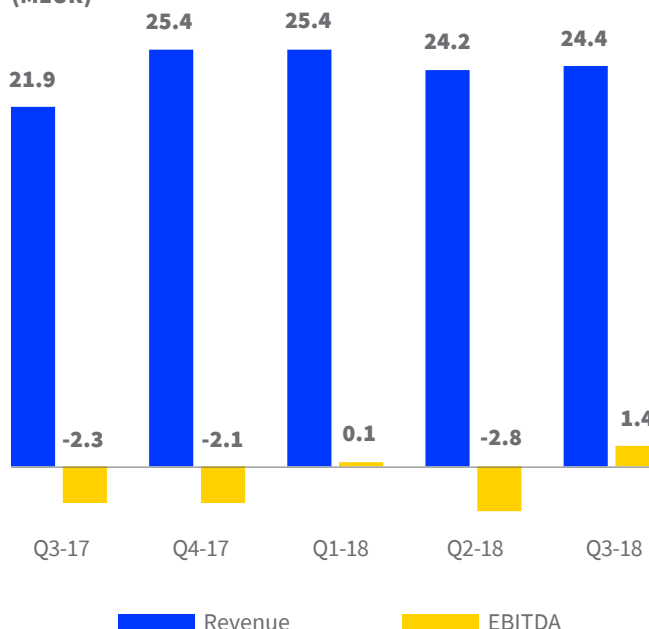
Gross deposits were EUR 107 (91) million in the third quarter, up by 18%. The number of active users for the B2C segment was 190,875 (169,791) in the third quarter, up by 12%.

The casino margin in the operator business was 3.47% in the third quarter. Sports betting had a margin of 6.5% (6.4%) in the quarter, a blend of both the old and the new sportsbooks. Betting duties were 4.8% (3.5) of gaming revenues.

### GAMING OPERATORS DEPOSITS (MEUR) & ACTIVES



### GAMING OPERATORS REVENUE & EBITDA (MEUR)



# FINANCIAL REVIEW

## THIRD QUARTER 2018

### Revenues

After having a decrease in revenues in the two preceding quarters, revenues saw an increase over the second quarter 2018. GiG's revenues comprise income from the Company's gaming sites, affiliate and paid media marketing in Media Services, B2B customers on GiG Core and Sports Betting Services as well as sports trading. Consolidated revenues amounted to EUR 37.3 million in the third quarter 2018, a 21% increase compared to the third quarter 2017 (EUR 30.8 million).

### Cost of Sales

Cost of sales include fees to game and payment suppliers, gaming taxes and other variable expenses. In the third quarter 2018, cost of sales amounted to EUR 6.3 (5.0) million, an increase of 28% compared to the third quarter 2017. Gaming taxes amounted to EUR 1.2 (0.8) million, or 3.1% (2.5%) of total revenues.

### Gross profit

Gross profit for the group amounted to EUR 30.9 (25.9) million during the third quarter 2018, a 20% increase over the third quarter of last year. Gross profit margin for the quarter was 83% (84%), the small decline in the gross profit margin is mainly related to an increase in betting duties.

### Marketing expenses

Marketing expenses were EUR 10.6 (11.9) million in the third quarter 2018, an 11% decrease compared to the third quarter 2017 and a 19% decrease from EUR 13.2 million in the previous quarter. Marketing expenses' share of total revenues were 29% in the quarter, down from 39% in the third quarter 2017. Marketing expenses are mainly derived from the Company's B2C operations, comprising up-front payments such as TV campaigns, CPA (cost per acquisition) and affiliate revenue shares, and payment for traffic in GiG Media's paid operation.

### Operating expenses

Other operating expenses amounted to EUR 15.3 (10.9) million in third quarter 2018, a 40% increase from the third quarter 2017. Operating expenses are mainly related to salaries, rent and general corporate expenses. The main component of the increase represents the raise in the average number of employees to 736 (529). These numbers include full time consultants. Personnel expenses were EUR 10.0 (7.6) million in the third quarter, a 31% increase compared to the third quarter 2017 and includes EUR 0.4 million in a non-cash option expense.

Capitalised expenses related to the Company's development of technology and future products amounted to EUR 1.5 (1.0) in the third quarter and are capitalised over 3 years. These costs are mainly related to the development of GiG's platform and sports products.

### EBITDA

EBITDA for the third quarter 2018 was EUR 5.0 (3.0) million, a 66% increase compared to the third quarter 2017. The increase in EBITDA is mainly a result of increased gross profit and reduced marketing spend.

### D&A

Depreciation and amortisation amounted to EUR 5.0 (3.2) million in the third quarter 2018. A large part is related to amortisation of the affiliate acquisitions completed over the last three years, with EUR 1.0 million related to affiliate contracts and EUR 1.4 million to domains/SEO in the quarter. The balance is mainly related to capitalised development expenses.

### EBIT

EBIT came in at EUR 0.1 (-0.1) million in the third quarter 2018.

### Net result

Net other income was EUR -2.6 (-0.3) million in the third quarter 2018. Interest on the Company's bond was included with EUR 1.2 million in the quarter. The balance is net foreign exchange losses, mainly an unrealised loss on the bond due to the strengthening of the SEK towards the EUR during the quarter.

The net result for the third quarter was EUR -2.6 (-0.5) million, the reduction from the third quarter 2017 being explained by the unrealised foreign exchange loss on the bond.

### Cash flow

The consolidated net cash flow from operational activities amounted to EUR 0.4 (2.2) million for the third quarter 2018. Included in the net cash flow from operational activities are changes in operating assets and liabilities, mainly consisting of release of rolling reserves, marketing prepayments as well as payments of receivables.

The net cash flow used on investments was EUR 2.6 (26.4) million in the third quarter 2018, whereof EUR 1.5 million were capitalised development expenses and EUR 0.6 million fixed assets. In the third quarter 2017, investments included the purchase of affiliate assets and by the paid media business acquired in September 2017.

The net cash flow from financing activities was zero in the third quarter 2018 compared to EUR 24.7 million in same quarter last year due to a SEK 250 million increase in the bond in September 2017.

Cash and cash equivalents decreased by EUR 2.1 (0.6) million in third quarter 2018.

## FINANCIAL POSITION

As at 30 September 2018, holdings of cash and cash equivalents amounted to EUR 13.9 (25.7) million. Cash holdings include EUR 7.6 million in fiduciary capacity, which is customer monies, use of which is restricted, in accordance with the Remote Gaming Regulations.

As at 30 September 2018, GiG had total assets of EUR 197.8 million, and shareholders' equity was EUR 104.2 (53%).

The interest-bearing debt as at 30 September 2018 was EUR 63.7 (66.5).

## JANUARY TO SEPTEMBER 2018

### Revenues

Consolidated revenues amounted to EUR 111.5 (80.5) million in the first nine months of 2018, a 39% increase compared with the same period in 2017. Organic growth was 29%.

### Cost of Sales

Cost of sales include fees to game and payment suppliers, as well as gaming taxes and other variable expenses. In the first nine months of 2018, cost of sales amounted to EUR 19.6 (14.0). Gaming taxes amounted to EUR 3.5 (2.1) million, or 3.1% (2.6%) of total revenues.

### Gross profit

Gross profit for the group amounted to EUR 91.9 (66.5) million during the first nine months of 2018, a 38% increase over the first nine months of last year. The gross profit margin for the first nine months of 2018 was 82% (83%).

### Marketing expenses

Marketing expenses were EUR 35.7 (34.0) million in the first nine months of 2018, a 5% increase from the same period in 2017. Marketing expenses' share of total revenues were 32% (42%).

### Operating expenses

Other operating expenses amounted to EUR 45.2 (27.9) million in the first nine months of 2018, a 62% increase from the first nine months of 2017. Other operating expenses' share of total revenues were 41% (35%). Personnel expenses were EUR 29.7 (20.0) million in the first nine months of 2018, a 48% increase from the first nine months of 2017. Non-cash expenses related to the Company's option plans was EUR 1.3 (1.3) million in the first nine months of 2018.

Capitalised expenses related to the Company's development of technology and future products amounted to EUR 4.1 (3.1) million in the first nine months of 2018 and are capitalised over 3 years. These costs are mainly related to development of GiG's platform and sports related products.

### EBITDA

EBITDA for the first nine months of 2018 was EUR 11.0 (4.6) million, a 139% improvement from the first nine months of 2017.

### D&A

Depreciation and amortisation amounted to EUR 14.6 (6.6) million in the first nine months of 2018. Depreciation and amortisation expenses are mainly related to amortisation of the affiliate acquisitions completed over the last three years, with EUR 3.0 million related to affiliate contracts and EUR 4.3 million to domains/SEO in the first nine months of 2018. The balance is mainly related to capitalised development expenses.

### EBIT

EBIT came in at EUR -3.5 (2.0) million in the first nine months of 2018. The reduction is mainly due to the increase in depreciation and amortisation expenses.

### Net result

Net other income was EUR -2.3 (-1.2) million in the first nine months of 2018. Interest on the Company's bond was included with EUR 2.4 million in the period and the balance is net foreign exchange gains.

The net result for the first nine months of 2018 was EUR -6.2 million, compared to EUR -3.2 million in the first nine months of 2017.

### Cash flow

The consolidated net cash flow from operational activities amounted to EUR 10.7 (11.4) million for the first nine months of 2018.

The net cash flow used on investments was EUR 9.2 (50.9) million in the first nine months of 2018, whereof EUR 6.5 (28.1) million related to intangibles. The net cash flow from financing activities was zero in the first nine months of 2018 compared to EUR 59.7 million in the first nine months of 2017 due to issuance of the Company's SEK 650 million bond in 2017.

Cash and cash equivalents increased by EUR 1.8 (19.7) million in first nine months of 2018.

## PERSONNEL

By the end of third quarter 2018, 734 (585) employees were spread throughout Malta, Spain, Denmark, Norway and some satellite offices at other locations. 30% of the employees are female. Approximately 210 people are working in Gaming Operators, 340 in Platform (Core), Sports and Games and 110 in Media, with the balance in corporate functions.

## SHAREHOLDER MATTERS

As at 30 September 2018, the total number of shares outstanding in GiG was 895,656,266 (par value USD 0.10), divided between approximately 3,500 shareholders. The number of authorised shares is 950,000,000.

In the third quarter 2018, employees exercised their options to buy a total of 2,900,000 shares in GiG, and subsequent to the quarter, an additional 100,000 options have been exercised. The Company has borrowed shares for the immediate transfer of the option shares to the employees and will issue new shares later. When issuing the new shares for the option exercises in 2018, the outstanding number of shares will increase to 900,656,266.

In 2018, 3,840,000 options have been cancelled, resulting in 12,910,000 options outstanding as at 1 November 2018.

## ABOUT GAMING INNOVATION GROUP

Gaming Innovation Group Inc. is a technology company providing products and services throughout the entire value chain in the iGaming industry. Founded in 2012, Gaming Innovation Group's vision is 'To open up iGaming and make it fair and fun for all'. Through our ecosystem of products and services, GiG is connecting operators, suppliers and users, to create the best iGaming experiences in the world. Our headquarters are based in Malta and the Company is listed on the Oslo Stock Exchange under the ticker symbol GiG.

## LEGAL DISCLAIMER

Gaming Innovation Group Inc. gives forecasts. Certain statements in this report are forward-looking and the actual outcomes may be materially different. In addition to the factors discussed, other factors could have an impact on actual outcomes. Such factors include developments for customers, competitors, the impact of economic and market conditions, national and international legislation and regulations, fiscal regulations, the effectiveness of copyright for computer systems, technological developments, fluctuation in exchange rates, interest rates and political risks.

## FINANCIAL CALENDAR

|                             |                  |
|-----------------------------|------------------|
| Capital Markets Day         | 4 December 2018  |
| Special Shareholder Meeting | TBD (Q4 2018)    |
| Q4 2018 Interim Report      | 11 February 2019 |
| Q1 2019 Interim Report      | May 2019         |
| Annual Shareholder Meeting  | May 2019         |

## CONTACTS

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# GAMING INNOVATION GROUP INC.

## Condensed Statements of Operations

| EUR 1000 - UNAUDITED                                      |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
|   | Q3 2018 | Q3 2017 | 9M 2018 | 9M 2017 | 2017    |
| <b>REVENUES</b>   | 37 283  | 30 841  | 111 507 | 80 494  | 120 423 |
| Cost of sales   | 6 348   | 4 959   | 19 562  | 14 005  | 20 521  |
| <b>GROSS PROFIT</b>                                       | 30 935  | 25 882  | 91 945  | 66 489  | 99 902  |
| <b>OPERATING EXPENSES</b>                                 |         |         |         |         |         |
| Marketing expenses - revenue share                        | 3 380   | 3 747   | 11 206  | 10 758  | 15 392  |
| Marketing expenses - other                                | 7 255   | 8 201   | 24 447  | 23 233  | 31 701  |
| Other operating expenses                                  | 15 252  | 10 886  | 45 249  | 27 870  | 40 288  |
| <b>TOTAL OPERATING EXPENSES</b>                           | 25 887  | 22 834  | 80 902  | 61 861  | 87 381  |
| <b>EBITDA</b>   | 5 048   | 3 048   | 11 043  | 4 628   | 12 521  |
| Depreciation & amortization                               | 4 969   | 3 186   | 14 559  | 6 578   | 10 912  |
| <b>EBIT</b>   | 79      | -138    | -3 516  | -1 950  | 1 609   |
| Financial income (expense)                                | -2 502  | -491    | -2 149  | -1 766  | -1 054  |
| Other income (expense)                                    | -50     | 184     | -194    | 593     | -       |
| <b>RESULT BEFORE INCOME TAXES</b>                         | -2 473  | -445    | -5 859  | -3 123  | 555     |
| Tax income/(expense)                                      | -144    | -55     | -324    | -82     | -973    |
| <b>NET RESULTS</b>  | -2 617  | -500    | -6 183  | -3 205  | -418    |
| Exchange differences on translation of foreign operations | 48      | 110     | 290     | -1 725  | -2 571  |
| Fair value movement in available for sale investment      | -3      | -4      | -       | 1 292   | 1 281   |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>                  | -2 572  | -394    | -5 893  | -3 638  | -1 708  |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b> |         |         |         |         |         |
| Owners of the Company                                     | -2 582  | -399    | -5 916  | -3 645  | -1 726  |
| Non-controlling interests                                 | 10      | 5       | 23      | 7       | 18      |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>                  | -2 572  | -394    | -5 893  | -3 638  | -1 708  |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO GiG INC:</b>        |         |         |         |         |         |
| Basic earnings (losses) per share                         | -0,00   | -0,00   | -0,01   | -0,00   | -0,00   |
| Diluted earnings (losses) per share                       | -0,00   | -0,00   | -0,01   | -0,00   | -0,00   |
| Weighted average shares outstanding (1000)                | 895 656 | 890 682 | 895 656 | 888 994 | 890 673 |
| effect of dilutive shares (1000)                          | -       | -       | -       | -       | -       |
| Diluted weighted average shares outstanding (1000)        | 895 656 | 890 682 | 895 656 | 888 994 | 890 673 |



# GAMING INNOVATION GROUP INC.

## Condensed Statements of Financial Position

| EUR 1000 - UNAUDITED  |                |                |                |
|---|----------------|----------------|----------------|
|   | 30 SEP 2018    | 30 SEP 2017    | 31 DEC 2017    |
| <b>ASSETS</b>   |                |                |                |
| <b>NON-CURRENT ASSETS:</b>  |                |                |                |
| Goodwill  | 69 681         | 69 186         | 69 444         |
| Intangible assets   | 85 580         | 93 927         | 91 997         |
| Deposits and other non-current assets   | 8 385          | 6 165          | 7 179          |
| <b>TOTAL NON-CURRENT ASSETS</b>   | <b>163 646</b> | <b>169 278</b> | <b>168 620</b> |
| <b>CURRENT ASSETS:</b>  |                |                |                |
| Prepaid and other current assets  | 25             | 137            | 194            |
| Trade and other receivables   | 20 305         | 16 915         | 24 769         |
| Cash and cash equivalents   | 13 873         | 25 747         | 12 079         |
| <b>TOTAL CURRENT ASSETS</b>   | <b>34 203</b>  | <b>42 799</b>  | <b>37 042</b>  |
| <b>TOTAL ASSETS</b>   | <b>197 849</b> | <b>212 077</b> | <b>205 662</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                |                |                |
| <b>SHAREHOLDERS' EQUITY:</b>  |                |                |                |
| Share capital   | 78 483         | 78 483         | 78 483         |
| Share premium/reserves  | 32 102         | 30 083         | 30 513         |
| Retained earnings (deficit)   | -6 439         | -2 249         | -236           |
| Total equity attributable to GiG Inc.   | 104 146        | 106 317        | 108 760        |
| Non-controlling interests   | 46             | 13             | 23             |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>   | <b>104 192</b> | <b>106 330</b> | <b>108 783</b> |
| <b>LIABILITIES:</b>   |                |                |                |
| Trade payables and accrued expenses   | 28 686         | 38 431         | 28 568         |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>28 686</b>  | <b>38 431</b>  | <b>28 568</b>  |
| Bond payable  | 62 684         | 66 526         | 66 466         |
| Deferred tax liability  | 1 230          | 790            | 829            |
| Other long term liabilities   | 1 057          | -              | 1 016          |
| <b>TOTAL LONG TERM LIABILITIES</b>  | <b>64 971</b>  | <b>67 316</b>  | <b>68 311</b>  |
| <b>TOTAL LIABILITIES</b>  | <b>93 657</b>  | <b>105 747</b> | <b>96 879</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <b>197 849</b> | <b>212 077</b> | <b>205 662</b> |
| <b>CONDENSED STATEMENTS OF CHANGES IN EQUITY:</b>   |                |                |                |
| <b>EQUITY AT BEGINNING OF PERIOD</b>  | <b>108 783</b> | <b>105 175</b> | <b>105 175</b> |
| Issuance of shares for cash, in repayment of debt and purchase of subsidiary and affiliates | 24             | 3 531          | 3 622          |
| Fair value movement in available for sale investments                                       | -              | 1 292          | 1 281          |
| Share compensation expense  | 1 278          | 1 262          | 1 666          |
| Non-controlling interests   | 23             | 7              | 18             |
| Exchange differences arising from prior year adjustment                                     | -              | -              | 28             |
| Exchange differences on translation of foreign operations                                   | 290            | -1 725         | -2 571         |
| Net results   | -6 206         | -3 212         | -436           |
| <b>EQUITY AT END OF PERIOD</b>  | <b>104 192</b> | <b>106 330</b> | <b>108 783</b> |

# GAMING INNOVATION GROUP INC.

## Condensed Statements of Cash Flows

| EUR 1000 - UNAUDITED   |               |                |               |                |                |
|--|---------------|----------------|---------------|----------------|----------------|
|  | Q3 2018       | Q3 2017        | 9M 2018       | 9M 2017        | 2017           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |               |                |               |                |                |
| Results before income taxes  | -2 473        | -445           | -5 859        | -3 123         | 555            |
| Adjustments to reconcile profit before tax to net cash flow:                         |               |                |               |                |                |
| Tax expense  | -144          | -55            | -324          | -82            | -973           |
| Depreciation and amortization  | 4 969         | 3 186          | 14 559        | 6 578          | 10 912         |
| Other adjustments for non-cash items and changes in operating assets and liabilities | -1 930        | -483           | 2 304         | 8 047          | 2 552          |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                     | <b>422</b>    | <b>2 203</b>   | <b>10 680</b> | <b>11 420</b>  | <b>13 046</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |               |                |               |                |                |
| Purchases of intangible assets   | -1 919        | -25 345        | -6 553        | -28 137        | -54 479        |
| Purchases of property, plant and equipment   | -599          | -1 083         | -1 763        | -2 096         | -3 817         |
| Purchases of affiliates  | -100          | -              | -600          | -20 661        | -9 120         |
| Cash flow from other investing activities  | -             | -              | -260          | -              | -200           |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>   | <b>-2 618</b> | <b>-26 428</b> | <b>-9 176</b> | <b>-50 894</b> | <b>-67 616</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |               |                |               |                |                |
| Proceeds from bond issue   | -             | 26 148         | -             | 67 164         | 66 956         |
| Proceeds from loans  | -             | 2 055          | -             | 2 055          | 3 071          |
| Repayment of loans   | -             | -2 055         | -             | -8 123         | -              |
| Cash flow from other investing activities  | -             | -1 477         | -             | -1 477         | -8 123         |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                                     | <b>-</b>      | <b>24 671</b>  | <b>-</b>      | <b>59 619</b>  | <b>61 904</b>  |
| Translation loss   | 48            | 110            | 290           | -1 725         | -2 571         |
| Fair value movements   | -3            | -4             | -             | 1 292          | 1 281          |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | <b>-2 151</b> | <b>552</b>     | <b>1 794</b>  | <b>19 712</b>  | <b>6 044</b>   |
| Cash and cash equivalents - beginning  | 16 024        | 25 195         | 12 079        | 6 035          | 6 035          |
| <b>CASH AND CASH EQUIVALENTS - END</b>   | <b>13 873</b> | <b>25 747</b>  | <b>13 873</b> | <b>25 747</b>  | <b>12 079</b>  |

# GAMING INNOVATION GROUP INC.

## Selected Notes to Condensed Consolidated Financial Statements as of and for the Periods Ending 30 September 2018 and 2017

### 1. GENERAL INFORMATION

Gaming Innovation Group Inc. (“GiG” or the “Company”) is a US corporation incorporated in the state of Delaware and traded on the Oslo Stock Exchange with the ticker symbol “GIG”. Gaming Innovation Group Plc. (“Plc”) is incorporated and domiciled in Malta.

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

The consolidated financial statements of the Company as at and for the periods ended 30 September 2018 and 2017 are comprised of Plc and its accounting basis subsidiaries.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in conformity with IAS 34 and do not include all of the information required for full annual financial statements. The condensed consolidated interim financial statements for the periods ended 30 September 2018 and 2017 have not been audited by the Company’s auditors.

These unaudited interim condensed financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The condensed consolidated financial statements report the nine months of operations of both 2018 and 2017 and the full year of 2017 of Gaming Innovation Group Inc. and subsidiaries, and Rebel Penguin from Sept 2017.

The Company’s condensed consolidated financial statements are presented in Euros (EUR), which is the presentation and functional currency of the Company. The functional currencies of its subsidiaries are the United States dollar, the Euro and Norwegian and Danish Kroners which are translated into EUR at monthly average rates for revenues and expenses and at month end rates for assets and liabilities. Equity accounts are translated at historical rates. Exchange differences on translation of foreign operations are shown as a separate component of stockholders’ equity (deficit) and reflected as other comprehensive income (loss) on the condensed consolidated statement of comprehensive income (loss).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Accounting Policies

The accounting policies adopted and used in preparing the condensed consolidated financial statements as of and for the periods ended 30 September 2018 and 2017 are consistent with those used in preparing the Company’s consolidated financial statements as of and for the year ended 31 December 2017.

#### Revenue Recognition Policy

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

#### GiG Gaming:

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

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

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

#### GiG Core:

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

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

**GiG Media:**

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

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

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

Other costs that are not reported as part of the net gain or loss within revenue include inter alia bank charges, fees paid to platform and payment providers and certain gaming taxes. Interest income is recognized in profit or loss for interest-bearing instruments as it accrues, on a time proportion basis using the effective interest method, unless collectability is in doubt.

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

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

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

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

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

**4. SEGMENT INFORMATION**

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

| Q3 2018 (EUR 1000) | B2C    | B2B    | ELIMINATION | TOTAL  |
|--------------------|--------|--------|-------------|--------|
| REVENUE            | 24,413 | 15,440 | -2,570      | 37,283 |
| COST OF SALES      | 7,255  | 137    | -1,044      | 6,348  |
| MARKETING COST     | 10,186 | 1,482  | -1,033      | 10,635 |
| EBITDA             | 1,378  | 3,681  | -11         | 5,048  |
| EBIT               | -1,206 | -220   | -907        | 79     |

| Q3 2017 (EUR 1000) | B2C    | B2B    | ELIMINATION | TOTAL  |
|--------------------|--------|--------|-------------|--------|
| REVENUE            | 21,906 | 11,600 | -2,665      | 30,841 |
| COST OF SALES      | 6,170  | 302    | -1,513      | 4,959  |
| MARKETING COST     | 12,589 | 497    | -1,138      | 11,948 |
| EBITDA             | -2,260 | 5,311  | -3          | 3,048  |
| EBIT               | -2,544 | 2,409  | -3          | -138   |

| 9M 2018 (EUR 1000) | B2C    | B2B    | ELIMINATION | TOTAL   |
|--------------------|--------|--------|-------------|---------|
| REVENUE            | 74,023 | 46,294 | -8,810      | 111,507 |
| COST OF SALES      | 22,306 | 489    | -3,233      | 19,562  |
| MARKETING COST     | 35,017 | 4,350  | -3,714      | 35,653  |
| EBITDA             | -1,255 | 12,235 | 63          | 11,043  |
| EBIT               | -2,090 | -593   | -833        | -3,516  |

| 9M 2017 (EUR 1000) | B2C    | B2B    | ELIMINATION | TOTAL  |
|--------------------|--------|--------|-------------|--------|
| REVENUE            | 60,580 | 26,432 | -6,518      | 80,494 |
| COST OF SALES      | 17,553 | 576    | -4,124      | 14,005 |
| MARKETING COST     | 35,275 | 1,090  | -2,374      | 33,991 |
| EBITDA             | -6,872 | 11,518 | -18         | 4,628  |
| EBIT               | -7,324 | 5,392  | -18         | -1,950 |

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

## 5. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are calculated by dividing the net income (loss) for the period, plus or minus applicable dividends, by the weighted number of shares outstanding. Diluted earnings (loss) per share utilize the same numerator, but outstanding shares in gain periods include the dilutive effect of outstanding warrants and options determined by the treasury stock method. As of 30 September 2018, the Company had 15,610,000 options outstanding.

## 6. CHANGES IN EQUITY

2,900,000 options were exercised in the third quarter 2018 resulting in 15,610,000 options outstanding as of 30 September 2018. GIG borrowed shares for the immediate transfer of the option shares to the employees during the third quarter and will issue new shares at a later date.

895,656,266 shares (par value USD 0.10) were outstanding as of 30 September 2018, where of the Company owned no treasury shares. When the new shares are issued for the option exercises from the nine months, the outstanding number of shares will increase to 899,956,266.

## 7. LOANS PAYABLE SHAREHOLDERS

In December 2015, the Company entered into two revolving loan facilities: (a) DKK 4,000,000 with a Danish bank with an interest rate of 10% per annum and maturity on 1 January 2018 and (b) NOK 9,700,000 with a shareholder with an interest rate of 10% per annum due on demand at monthly intervals, that was increased to NOK 19,200,000 in July 2016. These two loan facilities were repaid in April 2017.

In July 2017, the Company, utilizing the revolving loan facility with a shareholder noted above, borrowed an additional NOK 15,000,000 and, in August 2017, borrowed an additional NOK 4,000,000. This loan facility was repaid in September 2017.

In December 2017, the Company, utilizing the revolving loan facility with a shareholder noted above, borrowed NOK 10,000,000 with an interest rate of 10% per annum due on demand at monthly intervals.

In March and May 2016, the Company entered into loan agreements with shareholders for NOK 17,500,000 and EUR 300,000 with an interest rate of 10% per annum. The loans had maturity dates ranging from 31 May 2016 through 31 December 2016. In December 2016, this loan facility was refinanced and increased by NOK 13,000,000 for a total of NOK 31,500,000 as of 31 December 2016, and maturity was extended to 30 June 2017. Close

associates of Helge Nielsen and Jon Skabo, board members of the Company, participated in the loan with NOK 3,500,000 and NOK 1,500,000 respectively. These loans were repaid in April 2017.

Short-term loans outstanding balances at 30 September 2018 and 2017 were EUR 0 for both periods with accrued interest of EUR 0 for both periods. Long term loans outstanding balances at 30 September 2018 and 2017 were EUR 1,056,980 and EUR 0, respectively with accrued interest of EUR 17,665 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 30 September 2018 was EUR 62,684,231 with accrued interest of EUR 877,759. The bonds are registered in the Norway Central Securities Depository and listed on the Oslo Stock Exchange.

## 9. ACQUISITIONS

There were no acquisitions in the third quarter 2018.

## 10. RELATED PARTY TRANSACTIONS

There were no other material related party transactions in the third quarter 2018 than reported above in Note 7.

## 11. SUBSEQUENT EVENTS

100,000 options have been exercised and 2,600,000 options has been cancelled subsequent to the quarter resulting in 12,910,000 options outstanding as of today.

There have been no material subsequent events after 30 September 2018.

## 12. ALTERNATIVE PERFORMANCE MEASURES

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

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

**Deposits:** Money deposited in the customer accounts

**EBIT:** Operating profit

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

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

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

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

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

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

**Organic growth:** Growth excluding acquisitions.

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

# GAMING INNOVATION GROUP PLC.

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

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

## Condensed Statements of Operations

| EUR 1000 - UNAUDITED                                      |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
|   | Q3 2018 | Q3 2017 | 9M 2018 | 9M 2017 | 2017    |
| <b>REVENUES</b>   | 37 283  | 30 841  | 111 507 | 80 494  | 120 423 |
| Cost of sales   | 6 348   | 4 959   | 19 562  | 14 005  | 20 521  |
| <b>GROSS PROFIT</b>                                       | 30 935  | 25 882  | 91 945  | 66 489  | 99 902  |
| <b>OPERATING EXPENSES</b>                                 |         |         |         |         |         |
| Marketing expenses - revenue share                        | 3 380   | 3 747   | 11 206  | 10 758  | 15 392  |
| Marketing expenses - other                                | 7 255   | 8 201   | 24 448  | 23 233  | 31 701  |
| Other operating expenses                                  | 15 026  | 10 562  | 44 320  | 26 901  | 38 995  |
| <b>TOTAL OPERATING EXPENSES</b>                           | 25 661  | 22 510  | 79 974  | 60 892  | 86 088  |
| <b>EBITDA</b>   | 5 274   | 3 372   | 11 971  | 5 597   | 13 814  |
| Depreciation & amortization                               | 4 959   | 3 177   | 14 531  | 6 550   | 10 874  |
| <b>EBIT</b>   | 315     | 195     | -2 560  | -953    | 2 940   |
| Other income (expense)                                    | -2 502  | -       | -2 149  | -       | -1 719  |
| Unrealized gain (loss) on derivative asset                | -18     | -529    | -79     | -1 878  | -       |
| <b>RESULT BEFORE INCOME TAXES</b>                         | -2 205  | -334    | -4 788  | -2 831  | 1 221   |
| Tax income/(expense)                                      | -144    | -55     | -324    | -82     | -973    |
| <b>NET RESULTS</b>  | -2 349  | -389    | -5 112  | -2 913  | 248     |
| Exchange differences on translation of foreign operations | 48      | 184     | 290     | -430    | -523    |
| Fair value movement in available for sale investment      | -3      | -4      | -       | 1 292   | 1 281   |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>                  | -2 304  | -209    | -4 822  | -2 051  | 1 006   |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b> |         |         |         |         |         |
| Owners of the Company                                     | -2 314  | -214    | -4 845  | -2 058  | 988     |
| Non-controlling interests                                 | 10      | 5       | 23      | 7       | 18      |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>                  | -2 304  | -209    | -4 822  | -2 051  | 1 006   |

# GAMING INNOVATION GROUP PLC.

## Condensed Statements of Financial Position

| EUR 1000 - UNAUDITED                                      |                |                |                |
|---|----------------|----------------|----------------|
|   | 30 SEP 2018    | 30 SEP 2017    | 31 DEC 2017    |
| <b>ASSETS</b>   |                |                |                |
| <b>NON-CURRENT ASSETS:</b>                                |                |                |                |
| Goodwill  | 53 993         | 53 499         | 53 756         |
| Intangible assets   | 79 164         | 87 470         | 85 553         |
| Deposits and other non-current assets                     | 8 252          | 6 157          | 7 178          |
| <b>Total non-current assets</b>                           | <b>141 409</b> | <b>147 126</b> | <b>146 487</b> |
| <b>CURRENT ASSETS:</b>                                    |                |                |                |
| Trade and other receivables                               | 20 305         | 16 915         | 24 769         |
| Cash and cash equivalents                                 | 13 830         | 11 697         | 11 785         |
| <b>Total current assets</b>                               | <b>34 135</b>  | <b>28 612</b>  | <b>36 554</b>  |
| <b>TOTAL ASSETS</b>                                       | <b>175 544</b> | <b>175 738</b> | <b>183 041</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>               |                |                |                |
| <b>SHAREHOLDERS' EQUITY:</b>                              |                |                |                |
| Share capital   | 54             | 54             | 54             |
| Share premium/reserves                                    | 1 151          | -216           | -417           |
| Retained earnings (deficit)                               | -5 884         | -4 421         | -749           |
| <b>TOTAL EQUITY ATTRIBUTABLE TO GG PLC.</b>               | <b>-4 679</b>  | <b>-4 583</b>  | <b>-1 112</b>  |
| Non-controlling interests                                 | 46             | 13             | 23             |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                         | <b>-4 633</b>  | <b>-4 570</b>  | <b>-1 089</b>  |
| <b>LIABILITIES:</b>                                       |                |                |                |
| Trade payables and accrued expenses                       | 27 720         | 38 245         | 28 367         |
| Inter-co GiG Inc.   | 88 543         | 74 747         | 88 468         |
| <b>TOTAL CURRENT LIABILITIES</b>                          | <b>116 263</b> | <b>112 992</b> | <b>116 835</b> |
| Bond payable  | 62 684         | 66 526         | 66 466         |
| Deferred tax liability                                    | 1 230          | 790            | 829            |
| <b>TOTAL LONG TERM LIABILITIES</b>                        | <b>63 914</b>  | <b>67 316</b>  | <b>67 295</b>  |
| <b>TOTAL LIABILITIES</b>                                  | <b>180 177</b> | <b>180 308</b> | <b>184 130</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>         | <b>175 544</b> | <b>175 738</b> | <b>183 041</b> |
| <b>CONDENSED STATEMENTS OF CHANGES IN EQUITY:</b>         |                |                |                |
| <b>EQUITY AT BEGINNING OF PERIOD</b>                      | <b>-1 089</b>  | <b>-7 362</b>  | <b>-7 362</b>  |
| Issue of share capital                                    | -              | 3 581          | 3 601          |
| Fair value movement in available for sale investments     | -              | 1 292          | 1 281          |
| Share compensation expense                                | 1 278          | 1 262          | 1 666          |
| Non-controlling interests                                 | 23             | 7              | 18             |
| Exchange differences on translation of foreign operations | 290            | -430           | -523           |
| Net results   | -5 135         | -2 920         | 230            |
| <b>EQUITY AT END OF PERIOD</b>                            | <b>-4 633</b>  | <b>-4 570</b>  | <b>-1 089</b>  |



# GAMING INNOVATION GROUP PLC.

## Condensed Statements of Cash Flows

| EUR 1000 - UNAUDITED   |               |               |               |               |                |
|--|---------------|---------------|---------------|---------------|----------------|
|  | Q3 2018       | Q3 2017       | 9M 2018       | 9M 2017       | 2017           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |               |               |               |               |                |
| Results before income taxes  | -2 205        | -334          | -4 788        | -2 831        | 1 221          |
| Tax expense  | -144          | -55           | -324          | -82           | -973           |
| Depreciation and amortization  | 4 959         | 3 177         | 14 531        | 6 550         | 10 874         |
| Other adjustments for non-cash items and changes in operating assets and liabilities | -55           | -492          | 6 298         | 9 187         | 2 554          |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                     | <b>2 555</b>  | <b>2 296</b>  | <b>15 717</b> | <b>12 824</b> | <b>13 676</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |               |               |               |               |                |
| Purchases of intangible assets   | -1 919        | -2 536        | -6 553        | -5 028        | -54 479        |
| Purchases of property, plant and equipment   | -599          | -1 083        | -1 763        | -2 096        | -3 817         |
| Purchases of affiliates  | -100          | -             | -600          | -             | -9 120         |
| Cash flow from other investing activities  | -             | -             | -260          | -             | -200           |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>   | <b>-2 618</b> | <b>-3 619</b> | <b>-9 176</b> | <b>-7 124</b> | <b>-67 616</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |               |               |               |               |                |
| Proceeds from bond issue - net   | -             | -1 477        | -             | - 1 477       | 66 956         |
| Loan from related party  | -2 106        | 1 486         | -4 786        | 734           | -7 867         |
| Increase in share capital  | -             | 1             | -             | 50            | 50             |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                                     | <b>-2 106</b> | <b>10</b>     | <b>-4 786</b> | <b>-693</b>   | <b>59 139</b>  |
| Translation loss   | 48            | 184           | 290           | -430          | -523           |
| Fair value movements   | -3            | -4            | -             | 1 292         | 1 281          |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | <b>-2 124</b> | <b>-1 133</b> | <b>2 045</b>  | <b>5 869</b>  | <b>5 957</b>   |
| Cash and cash equivalents - beginning  | 15 954        | 12 830        | 11 785        | 5 828         | 5 828          |
| <b>CASH AND CASH EQUIVALENTS - END</b>   | <b>13 830</b> | <b>11 697</b> | <b>13 830</b> | <b>11 697</b> | <b>11 785</b>  |

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