

## Q4 2015 INTERIM REPORT

### HIGHLIGHTS

- All time high quarterly revenues of EUR 6.4 million, a quarter over quarter increase of 37 per cent, and 148 per cent over fourth quarter 2014. New accounting policies reduce revenue and cost of sales; no effect on gross profit or earnings.
- Gross profit margin of 80 per cent in fourth quarter 2015, compared with 60 per cent in fourth quarter 2014, and 84 per cent in third quarter 2015.
- iGamingCloud signed six new clients in fourth quarter. The first external client successfully went live during the quarter, the second and third followed suit in January 2016. Remaining customers to go live during the first half of 2016.
- All three affiliate acquisitions in 2015 have been successful, significantly increasing GIG's traffic driving capability of new paying users, and generating 4,500 FTDs in the fourth quarter.
- Massive TV advertising campaign in combination with other marketing activities led to high growth in paying players. Effects of these campaigns are expected to be even stronger in Q1 2016 and onwards.
- Reduced EBITDA is primarily attributable to the marketing campaigns. Payoff during 2016.
- GIG expects a 100 per cent increase in revenue in 2016, with an operating profit in excess of EUR 5 million.

### KEY FIGURES

EUR 1000	Q4 2015	Q4 2014	2015	2014
Revenue	6 384	2 571	17 749	9 592
EBITDA	-1 756	-281	-2 062	-117
Pre tax profit (loss)	-1 782	-292	-2 058	-67

### ABOUT GIG

*Gaming Innovation Group Inc. is an emerging gambling solutions and interactive entertainment provider. The Group offers cutting-edge cloud-based services and B2B performance marketing, and owns B2C gambling operators that offer games from best-of-breed suppliers across the online sports betting and casino industry. Gaming Innovation Group operates out of Malta and is listed on the Oslo Stock Exchange under the ticker symbol "GIG".*

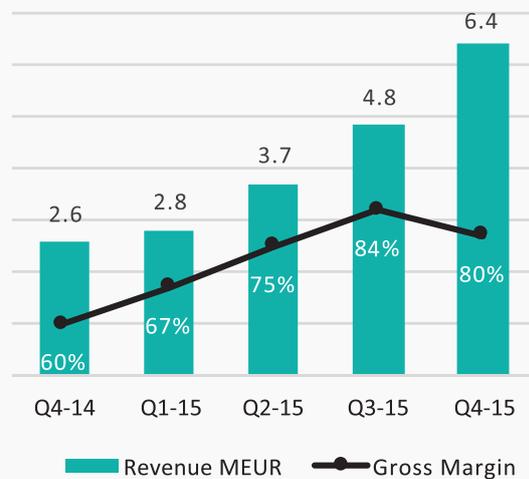
## Operational Update

Gaming Innovation Group Inc. (GIG) continued to grow across all three business areas in the fourth quarter 2015.

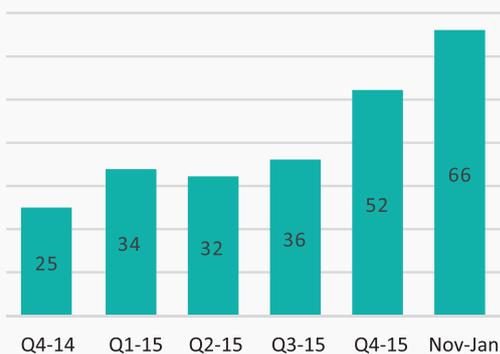
- GIG's casino and sportsbook brands, Guts.com and Betspin.com, continued to grow. The number of active users in the fourth quarter was 51,654, a 45 per cent increase over the previous quarter.
- iGaming Cloud (iGC) saw its first external operator go live during the quarter and entered into six new agreements.
- Q4 was also the first full quarter for the affiliate business in Innovation Labs. The acquisitions made during the third quarter have been successful having contributed 4,543 FTDs over the quarter.

Revenues for the fourth quarter were EUR 6.4 million, an increase of 37 per cent over third quarter 2015, and 148 per cent over fourth quarter 2014. The gross margin was 80% in fourth quarter 2015, compared with 60% in fourth quarter 2014 and 84% in third quarter 2015. EBITDA was EUR -1.76 million in the fourth quarter, down from EUR 0 in the third quarter.

In August 2015 GIG launched a TV advertising campaign for Guts.com, followed by a campaign for Betspin.com in November. Marketing expenses increased from EUR 1.89 million in the third quarter 2015 to EUR 3.77 million in the fourth quarter or from 40% to 59% of revenues. Of the total marketing expenses around 75% was attributable to up front payments, while 25% are allocated revenue share agreements. The increase in up front marketing expenses is a result of the Company's focus on long-term margins and player value. The increase in marketing expenses has, as expected, affected fourth quarter results negatively, but with more active users who are not subject to future revenue share payments, the Company is confident that this investment will be profitable going forward. A positive development in line with the current prognosis will have a significant effect on the 2016 results. The TV campaigns are planned to continue at approximately the same level of spending.



### ACTIVE PLAYERS (1000)



Rizk.com soft launched in December 2015, and fully launched early January 2016. During the first 30 days of operation, Rizk.com attracted 25,058 new registered customers (NRC) who have tried Rizk.com with so called freespins rounds, whereof 10,268 became first time depositors (FTD). These numbers exceed our expectations, and the 41% conversion rate of freespins players to paying users highlights the attractiveness of the concept. The launch of Rizk.com is supported by a marketing campaign, fronted by Hollywood actor Kevin Dillon (Johnny Drama, Entourage). The Company will be

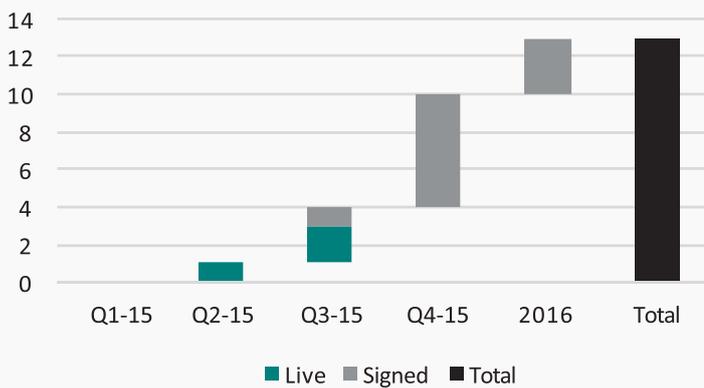
looking to expand this marketing campaign in Q2 2016 as a result of the encouraging initial outcomes.

During fourth quarter 2015, GIG took further steps to commercialise its cloud-based platform services, iGamingCloud (iGC). The first external iGC client was contracted in April 2015, and with six more clients in the fourth quarter, a total of ten external customers were signed as of year-end 2015. The growth has continued into 2016 with three more clients signed so far. The first customer launched its brand in September, and two more have started to operate so far in 2016. The remaining clients signed to date are scheduled to be operational during the first half of 2016.

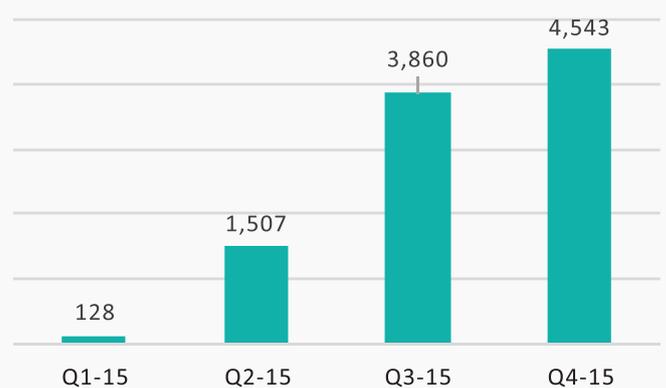
These agreements clearly indicate market acceptance for iGamingCloud's innovative cloud-based services, and the company is expecting in excess of 20 signed agreements by the end of 2016. As the development of the platform and the integration of these B2B agreements incurred significant operational expenses, they had minimal impact on 2015 revenues. But as the clients migrate or establish their services on the iGC platform, an entirely new revenue source will come into effect for GIG in 2016. The current portfolio of signed contracts is expected to contribute in excess of EUR 5.3 million annually.

Innovation Labs' affiliate operations had a good quarter, achieving more than 4,500 new FTDs (First Time Depositor) referred to operators in the fourth quarter, up from 3,860 in the third quarter. Cooperation between Innovation Labs and the first external iGC client has ensured an excellent start, with Innovation Labs referring more than 1,000 FTDs to during the quarter. For Rizk.com, more than 1,000 FTDs were referred during the first month of operation.

### iGC AGREEMENTS



### FTDs Innovation Labs





## Outlook

Gaming Innovation Group expects continued strong growth in all business areas. The industry is expanding, and with the Company's innovative solutions and market approach, its growth is expected to outpace that of the industry growth in general.

iGamingCloud has built a solid client base. Through the launch of the first six brands on the platform, iGC has proven it has an attractive industry offering. In the first half of the year the remaining signed contracts will go live. This will significantly improve GIG's revenues. The Company expects iGC to see strong growth for the second half of 2016 and beyond. iGC expects to bring the total number of signed agreements to more than 20 by the end of 2016.

GIG expects continued growth in its own operated casino and sports betting services. The customer base is gradually increasing, and, fuelled by TV campaigns, expanded offerings, and an improved user interface, the Company aims to expand beyond the underlying market growth. The successful launch of Rizk.com in January 2016 will further accelerate the growth trend.

GIG contracts games, odds and payment services, offered to end-users and B2B clients by third-hand suppliers through tier-based royalty deals. Increased volumes over its platform during 2016 will ensure that GIG can secure the most competitive rates from its providers. This will further strengthen the iGC platform's competitiveness and improve operational margins.

Innovation Labs expects steady organic growth in revenues going forward. The cooperation with both iGC's first external client and Rizk.com has confirmed that Innovation Labs can significantly help new iGC clients increase the number of FTDs, for the mutual benefit of GIG and the client.

Gaming Innovation Group has established a solid platform for growth, and remains optimistic with regards to its strategic, operational and financial development in 2016. The Company experiences significant organic growth. Ensuring that this positive development continues remains an overall priority.

In early 2016 the Company strengthened its financial position. Several potential acquisition opportunities have been identified, and the Company will selectively pursue acquisitions that support the existing growth strategy.

Given the identified growth potential, the Company expects to realize a 100 per cent increase in revenue in 2016. In parallel with this increase, a growing operating profit will be realized quarter by quarter with an expected accumulated operating profit in excess of EUR 5 million for 2016.

## Our Business

Gaming Innovation Group Inc. operates out of Malta across three different iGaming business areas:

- Cloud Services (B2B)
- Operators (B2C)
- Performance Marketing (B2B)



## Cloud Services

iGamingCloud.com (iGC), GIG's innovative Software-as-a-Service platform for iGaming, was unveiled in February 2015 at ICE London, the largest iGaming trade show. iGC is a client management platform that offers the full spectrum of services for iGaming operators. With the core functions of eliminating technological bottlenecks and significantly reducing costs for operators and white labels alike, iGC has the potential to be a game changer in the entire iGaming industry.

GIG's own brands operate on iGC, and external demand for the service has been high. So far, thirteen external customers have signed. Three already operate on the platform, and the remaining will go live during the first half of 2016. The external customers are a mix of new brands and existing operators that are migrating to iGC from other platforms. The growth in the customer base is expected to continue in the second half of 2016.

iGC generates recurring revenue from customers based on their volumes through the platform, and the Company estimates that the current portfolio of external B2B customers will contribute approximately EUR 5.3 million on an annual basis.

GIG has developed a proprietary sportsbook gaming service, mixing in-house technology with that of leading providers. The application was completed in September 2015, and will be bundled with the iGC platform as a Business-to-Business cloud service. The service will allow clients to provide very competitive pre-match and live betting services, and will provide all the tools and licenses required to manage a sports betting business.

In August 2015, GIG signed a license agreement with MicroGaming, which permits GIG's operators to use MicroGaming's poker software. Poker was launched to Guts.com's player base in January 2016, with plans to expand to Betspin.com and Rizk.com in 2016. The strategic agreement with MicroGaming permits the inclusion of poker in GIG's cloud services offering to B2B clients, and further enables the Company to become a full-scale iGaming entertainment and service provider.

## Operators

GIG is offering Business-to-Consumer (B2C) casino and sportsbetting services through its three brands, Guts.com, Betspin.com, and Rizk.com. GIG is contracting with most major gaming and payment services providers, and operates on its own licenses from Malta Gaming Authorities (MGA) and the United Kingdom Gaming Commission (UKGC).

GIG's major brand is Guts.com, an online sportsbook and casino launched in May 2012. Guts.com won the award for Best Global Casino in the IGB Awards in London in January 2015. Betspin.com launched in February 2015, as the iGC platform's first user. Betspin.com has been well received by customers and the gaming industry alike.

GIG has also developed a new casino and sportsbook brand, Rizk.com, that successfully launched in January 2016. The focus of this brand is «Gamification» and on providing an innovative user interface, which will differentiate its target audience from that of the two other brands.



GIG's brands reached 51,654 active real money players in fourth quarter 2015, up 110 per cent when compared with the 24,556 players in fourth quarter 2014. Starting with promotion of Guts.com, the Company launched a major TV advertising campaign in August 2015. The campaigns proved to increase the number of players, and, given the lifetime revenues of new customers, the campaign investment is expected to yield solid return over the coming years.

## Performance Marketing

GIG's subsidiary Innovation Labs aims to become one of the leading companies in online performance marketing, or affiliation. Innovation Labs mainly serves external operators, but also the Company's own brands. Innovation Labs refers paying users to B2B clients primarily through perpetual revenue share agreements. Paying users are sourced by obtaining competitive rankings for high-value keywords in search engines through SEO (search engine optimization), thus generating traffic to websites owned by the Company. These websites contain guides and quality content for the gaming industry and serve as paths to operators. Innovation Labs also refers paying users through data-driven media-buying techniques.

During 2015, GIG acquired three affiliate networks, in May, July and August respectively, adding to GIG's existing operations and to the Company's cash flow going forward. All three acquisitions have proven successful, and the combined operations are expected to generate a considerable number of new real money players over the next three years. Innovation Labs generates a strong cash flow and a high gross margin from its large portfolio of paying users.

Cooperation between Innovation Labs and the first external iGC client and Rizk.com ensured a strong start for both brands, with Innovation Labs referring more than 1,100 FTDs (First Time Depositors) to each brand during their first month of operation.

## FINANCIAL REVIEW

GIG has changed accounting policies for revenue recognition. While bonuses and jackpot contribution were previously included as a cost of sale, gaming revenues are now reported net after deduction of player real money winnings, bonuses and jackpot contribution. The effect is reduced revenue and cost of sales, but no change to gross profit or operating profit. Previous periods have been restated accordingly, and the changes are shown in Note 3.



## Results for the fourth quarter 2015

Consolidated revenues were EUR 6.38 million in fourth quarter 2015, an increase of 148 per cent over fourth quarter 2014 (EUR 2.57 million), and 37 per cent over third quarter 2015. Revenues comprise income from the Company's gaming sites Guts.com and Betspin.com, from affiliate marketing in Innovation Labs, and from B2B customers on the iGC platform. Cost of sales in fourth quarter amounted to EUR 1.30 million, or 20 per cent of operating revenues, compared with 40 per cent of operating revenues in fourth quarter 2014, and 17 per cent in third quarter 2015. Gross profit in fourth quarter 2015 was EUR 5.08 million, an increase of 230 per cent from fourth quarter 2014 (EUR 1.54 million), and 29 per cent from third quarter 2015 (EUR 3.94 million).

Marketing expenses were EUR 3.77 million in the fourth quarter 2015, an increase from EUR 0.80 million in fourth quarter 2014, and EUR 1.89 million in third quarter 2015. Marketing expenses amounted to 59 per cent of operating revenues in fourth quarter 2015, compared with 31 per cent in fourth quarter 2014 and 39 per cent in third quarter 2015. The main reason for the surge in marketing expenses is the TV advertising campaigns for the Company's brands Guts.com and Betspin.com in the second half of 2015. Expenses in the fourth quarter related to the TV campaigns were EUR 2.25 million, while other marketing expenses including affiliates were EUR 1.52 million.

Other operating expenses amounted to EUR 3.07 million in fourth quarter 2015, compared with EUR 1.02 million in fourth quarter 2014, and EUR 2.05 million in third quarter 2015. Operating expenses are mainly related to salaries, rent and general corporate expenses, and the rise is a result of more activity, and an increase in the number of employees from around 120 to 135 during the quarter. Other operating expenses also include share based compensation expenses of EUR 0.43 million in fourth quarter 2015, compared with EUR 0.12 in fourth quarter 2014.

EBITDA for the fourth quarter was EUR -1.76 million, compared with EUR -0.28 million in fourth quarter 2014, and EUR 0.00 million in third quarter 2015.

Depreciation and amortization amounted to EUR 0.18 million in fourth quarter 2015, compared with EUR 0.04 million in fourth quarter 2014, and leaving an EBIT of EUR -1.94 million in fourth quarter 2015, compared with EUR -0.32 in fourth quarter 2014, and EUR -0.07 in third quarter 2015.

Net other income was EUR 0.15 million in fourth quarter 2015, compared with EUR 0.02 million in fourth quarter 2014, and EUR 0.85 million in third quarter 2015. Net result was EUR -1.77 million in fourth quarter 2015, compared with EUR -0.37 million in fourth quarter 2014, and EUR -0.82 million in third quarter 2015.



## Results for the full year 2015

Consolidated revenues for 2015 were EUR 17.75 million, an increase of 85 per cent from EUR 9.59 million in 2014. Costs of sales for 2015 amounted to EUR 4.04 million, or 23 per cent of revenues, compared with EUR 3.41 million, or 36 per cent, in 2014. Gross profit for 2015 was EUR 13.71 million, an increase of 122 per cent from EUR 6.18 million in 2014.

Marketing expenses amounted to EUR 7.67 million in 2015, or 43 per cent of revenues, compared with EUR 3.52 million or 37 per cent, in 2014. Other operating expenses amounted to EUR 8.10 million in 2015, compared with EUR 2.77 million in 2014. The increase in operating expenses is a result of growing operations and an increase in the number of employees.

EBITDA for 2015 was EUR -2.06 million, compared with EUR -0.12 million in 2014. Depreciation and amortization amounted to EUR 0.33 million in 2015, compared with EUR 0.13 million in 2014, leaving an EBIT of EUR -2.40 million in 2015, compared with EUR -0.25 million in 2014.

Net other income was EUR 0.34 million in 2015, compared with EUR 0.18 million in 2014. Net result for 2015 was EUR -2.09 million, compared with EUR -0.15 million in 2014.

## Cash flow & financial position

The consolidated net cash flow from operating activities for fourth quarter 2015 amounted to EUR -1.21 million (EUR -0.05 million in 2014). The net cash flow used by investing activities was EUR -0.09 million in 2015 (EUR -0.29 million in 2014). The net cash flow from financing activities was EUR 1.83 million in 2015 (EUR 1.31 in 2014).

The net increase in cash and cash equivalents in fourth quarter 2015 amounted to EUR 0.45 million (EUR 0.97 million in 2014), and as at December 31, 2015, holdings of cash and cash equivalents amounted to EUR 2.09 million (EUR 1.28 million in 2014), including cash balances with payment providers and e-wallets related to its operators. In January 2016, GIG completed a share issue, resulting in net cash proceeds of EUR 4.25 million.

As at December 31, 2015, GIG had total assets of EUR 35.29 million, including goodwill resulting from the merger of EUR 22.23 million (see Note 3). Net interest bearing debt as at December 31, 2015, was EUR 3.57 million, an increase from EUR 0 as at December 31, 2014. EUR 2.03 million of this debt was repaid in January 2016.



## SHAREHOLDER MATTERS

In October 2015, the Company converted EUR 400,000 in liabilities and NOK 562,500 in board fees for 2015 into 2,875,000 shares in GIG at a share price of NOK 1.50. Treasury shares were used, reducing the holding of own shares from 3,290,000 to 415,000.

Also in October, the Company granted 2,200,000 options to employees, with an exercise price of NOK 1.50 per share. 700,000 of the options are exercisable, with 1/3 in October 2016, 1/3 in October 2017, and 1/3 in October 2018. The remaining 1,500,000 options are exercisable in April 2018, pending fulfilment of certain operational targets. After this grant, a total of 8,150,000 options are outstanding.

No new shares were issued during the fourth quarter, and the total outstanding number of shares in GIG as at December 31, 2015 was 502,120,952. At the same date, the Company owned 415,000 treasury shares, or 0.08 per cent of the outstanding shares.

In the Share Purchase Agreement dated February 15, 2015 between the Company and the previous shareholders of Gaming Innovation Group Ltd., the sellers are entitled to a variable consideration of up to 125 million earn-out shares, provided that the Company reaches a revenue of EUR 24 million or more in 2015 and EUR 39 million or more in 2016. If revenue is lower than these thresholds, the variable portion will be proportionally reduced, based on the increase in revenue for the year. If the combined revenue for 2015 and 2016 is higher than EUR 63 million, the sellers will receive all 125,000,000 earn-out shares. The earn-out shares will be determined upon the final audited 2015 and 2016 accounts based on the assumptions agreed. Given the Company's preliminary and unaudited financial statements for 2015, around 51 million earn-out shares will be issued in Q2 2016 based on 2015 performance. The calculation of earn-out will be based on the criteria set out in the SPA and will not be influenced by the change in accounting principles.

In January 2016, GIG issued 23,000,000 new shares at a share price of NOK 1.95, directed towards a Swedish fund manager, securing net proceeds to the Company of approximately EUR 4.45 million. Following the share issue, the Company has 525,120,952 shares outstanding as of today.

**GAMING INNOVATION GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**IN EUROS**  
**(Unaudited)**

	Q4 2015	Q4 2014	2015	2014
<b>Revenues</b>	<b>6 383 798</b>	<b>2 571 019</b>	<b>17 749 037</b>	<b>9 591 876</b>
Cost of Sales	1 300 124	1 031 661	4 042 188	3 412 708
<b>Gross profit</b>	<b>5 083 674</b>	<b>1 539 358</b>	<b>13 706 849</b>	<b>6 179 168</b>
Marketing expenses	3 769 226	798 799	7 670 104	3 522 283
Other operating expenses	3 070 836	1 021 330	8 098 858	2 774 308
Total operating expenses	6 840 062	1 820 129	15 768 962	6 296 591
<b>EBITDA</b>	<b>-1 756 388</b>	<b>-280 771</b>	<b>-2 062 113</b>	<b>-117 423</b>
Depreciation & amortization	178 923	35 669	333 211	128 002
<b>EBIT</b>	<b>-1 935 311</b>	<b>-316 440</b>	<b>-2 395 324</b>	<b>-245 425</b>
Other income	152 869	23 991	337 265	178 852
<b>Results before income taxes</b>	<b>-1 782 442</b>	<b>-292 449</b>	<b>-2 058 059</b>	<b>-66 573</b>
Income tax refund (expense)	8 962	-80 166	-31 438	-80 418
<b>Net results</b>	<b>-1 773 480</b>	<b>-372 615</b>	<b>-2 089 497</b>	<b>-146 991</b>
Exchange diff. on translation of foreign operations	-80 415	-	-150 368	-
<b>Total Comprehensive income (loss)</b>	<b>-1 853 895</b>	<b>-372 615</b>	<b>-2 239 865</b>	<b>-146 991</b>
Total comprehensive income (loss) attributable to:				
Owners of the parent	-1 799 004	-351 439	-2 136 071	-131 240
Non-controlling interests	-54 891	-21 126	-103 794	-15 751
<b>Total Comprehensive income (loss)</b>	<b>-1 853 895</b>	<b>-372 615</b>	<b>-2 239 865</b>	<b>-146 991</b>
<b>Earnings (losses) per share attributable to Gaming Innovation Group Inc.:</b>				
Basic and diluted earnings (losses) per share	-0.00	-0.00	-0.01	-0.00
Weighted average shares outstanding	487 705 952	317 000 000	405 056 147	317 000 000

**GAMING INNOVATION GROUP INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**IN EUROS**  
**(Unaudited)**

	Dec 31, 2015	Dec 31, 2014
<b>ASSETS</b>		
Non-current assets:		
Goodwill	22 230 484	-
Intangible assets	5 906 768	525 125
Deposits and other non-current assets	1 426 611	223 620
Total non-current assets	29 563 863	748 745
Current assets:		
Prepaid and other current assets	159 805	73 493
Trade and other receivables	3 474 238	2 159 039
Cash and cash equivalents	2 091 721	1 282 114
Total current assets	5 725 764	3 514 646
<b>TOTAL ASSETS</b>	<b>35 289 627</b>	<b>4 263 391</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Shareholders' equity:		
Share Capital	43 410 350	28 190 810
Share premium adjustment	-14 040 547	-25 769 233
Accumulated deficit	-2 197 816	-212 113
Attributable to Gaming Innovation Group Inc.	27 171 987	2 209 464
Non-controlling interests	-102 156	494 302
Total equity	27 069 831	2 703 766
Current liabilities:		
Trade payables and accrued expenses	4 647 030	1 473 700
Short term loans	2 031 391	-
Other current liabilities	-	85 925
Total current liabilities	6 678 421	1 559 625
Long term liabilities:		
Long term loans	1 541 375	-
Total liabilities	8 219 796	1 559 625
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>35 289 627</b>	<b>4 263 391</b>
<b>Equity at beginning of period</b>		
Exchange of shares of GIG Ltd. for GIG	22 232 286	-
Sale of subsidiary interest	1 000 000	-
Exercise of warrants	914 794	-
Issuance of treasury shares in repayment of debt and purchase of affiliates	672 627	-
Issuance of shares in repayment of debt and purchase of affiliates	1 662 448	-
Share subscriptions received	-	1 305 271
Share compensation expense	123 775	158 973
Non-controlling interests	-103 794	-15 751
Adjustments to non-controlling interests	-	294 774
Net results	-1 985 703	-131 240
Exchange differences on translation of foreign operations	-150 368	-
<b>Equity at end of period</b>	<b>27 069 831</b>	<b>2 703 766</b>

**GAMING INNOVATION GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**IN EUROS**  
**(Unaudited)**

	Q4 2015	Q4 2014	2015	2014
<b>Cash Flows from Operating Activities</b>				
Results before income taxes	-1 782 442	-292 449	-2 058 059	-66 573
Adjustments to reconcile profit before tax to net cash flow:				
Tax refund (expense)	8 962	-80 166	-31 438	-80 418
Depreciation and amortization	178 923	35 669	333 211	128 002
Other adjustments for non-cash items and changes in operating assets and liabilities	389 507	291 588	-360 919	-551 243
Net cash provided (used) by operating activities	-1 205 050	-45 358	-2 117 205	-570 232
<b>Cash Flows from Investing Activities</b>				
Purchase of property, plant and equipment	-65 080	-40 514	-352 894	-220 066
Cash flow from other investing activities	-25 932	-254 301	-511 071	-298 624
Net cash used by investing activities	-91 012	-294 815	-863 965	-518 690
<b>Cash Flows from Financing Activities</b>				
Proceeds from loans	1 878 608	-	3 786 160	-
Repayment of loans	-52 944	-	-52 944	-
Cash flow from other financing activities	-	1 305 228	-207 928	1 600 045
Net cash provided by financing activities	1 825 664	1 305 228	3 941 144	1 600 045
Translation gain (loss)	-80 415	-	-150 368	-
Net increase (decrease) in cash	449 187	965 055	809 606	511 123
Cash and cash equivalents - beginning	1 642 534	317 059	1 282 114	770 991
<b>Cash and cash equivalents - end</b>	<b>2 091 721</b>	<b>1 282 114</b>	<b>2 091 721</b>	<b>1 282 114</b>



# SELECTED NOTES TO GAMING INNOVATION GROUP INC. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

## 1. GENERAL INFORMATION

Gaming Innovation Group Limited (“GIG Ltd.”) is incorporated and domiciled in Malta, having a registered office at GB Buildings Penthouse, Water Street, Ta' Xbiex, XBX 1301. Pursuant to a reverse merger transaction consummated effective June 17, 2015, GIG Ltd. became a wholly-owned subsidiary of Gaming Innovation Group Inc. (formerly Nio Inc., “GIG” or the “Company”) a US corporation incorporated in the state of Delaware and traded on the Oslo Stock Exchange with the ticker symbol “GIG”. In connection with the reverse merger, Nio Inc. changed its name to Gaming Innovation Group, Inc. The transaction resulted in GIG Ltd. owning approximately 64% majority of Nio’s post-transaction outstanding shares. Accordingly, although GIG is the legal parent, GIG Ltd. is treated as the accounting acquiror. (See the discussion of the accounting treatment in the last two paragraphs of this Note 1). GIG Ltd.’s principal activity is to provide the facility of internet gambling, gaming and betting.

Except as discussed in the following paragraph, the condensed consolidated financial statements of the Company as at and for the years ended December 31, 2015 and 2014 are comprised of Gaming Innovation Group Inc. and its subsidiaries: Gaming Innovation Group Ltd, Candid Gaming Ltd (“Candid”) and Grid-manager Ltd (“Grid”) (corporations registered in Malta), GE Online Ltd (“GE”) (a corporation registered in Gibraltar) and Les Encheres Bidou Inc. (“Bidou”) (a corporation registered in Canada) and the following companies indirectly owned by Gaming Innovation Group Inc.: MT Secure Trade Ltd, (“Secure”) Innovation Labs Ltd, (“Labs”) H2H Poker Ltd (90%), (“Poker”) Gaming Exchange Ltd. (“Exchange”) (corporations registered in Malta), Spaseeba AS (“AS”) (a corporation registered in Norway), NV SecureTrade Ltd (“Trade”) and iGamingCloud NV (“Cloud”) (corporations registered in Curacao), Online Performance Marketing Ltd. (“OPML”) and Downright Marketing Ltd. (“DM”) (corporations registered in British Virgin Islands).

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

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in conformity with IAS 34 and do not include all of the information required for full annual financial statements. The condensed consolidated interim financial statements for the years ended December 31, 2015 and 2014 have not been audited by the Company’s auditors.



These unaudited interim condensed financial statements have been prepared in conformity with International Financial Reporting Standards (“IFRS”). The condensed financial statements report the full year of operations of 2015 and 2014 of Gaming Innovation Group Inc. and subsidiaries along with activities for the four GIG subsidiaries noted above for the period June 17 to December 31, 2015 based on the fact that GIG Ltd. has been determined to be the accounting acquiror and GIG has been determined to be the accounting acquiree.

The Company’s 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 the Canadian dollar 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 consolidated statement of comprehensive loss.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Accounting Policies

The accounting policies adopted and used in preparing the condensed consolidated financial statements as of and for the years ended December 31, 2015 and 2014 are consistent with those used in preparing the Company’s consolidated financial statements as of and for the year ended December 31, 2014, except for a change in the revenue recognition policy for the online gaming services as stated below.

#### Revenue Recognition Policy

The Company’s online gaming service operation provides a sportsbook and a casino product. Sportsbook revenue is attributable to gaming transactions in which the Company assumes an open position against the player and are reported net after deducting player real money winnings which are calculated according to the outcome of the game.

Gaming transactions in which the Company’s revenue consists of a percentage of winnings or similar are accounted for in accordance with IAS 18 “Revenue”. Previously, gaming revenues were reported net after deduction for player real money winnings, but from this report, revenue recognition has been changed and gaming revenues are reported net after deduction for player real money winnings, player bonuses and jackpot contribution. Previously, player bonuses and jackpot contribution were deducted as a cost of sales, so the change will not impact gross profit or operational earnings. Previous periods have been restated as follows:

#### New revenue recognition policies

EUR 1000	2015	2014	Q4 15	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14	Q1 14
Revenue	17 749	9 592	6 384	4 674	3 880	2 811	2 571	2 995	2 004	2 022
Cost of sales	4 042	3 413	1 300	733	1 084	923	1 032	1 005	775	601
Gross profit	13 707	6 179	5 084	3 941	2 796	1 888	1 539	1 990	1 229	1 421
EBITDA	-2 062	-117	-1 756	-	-252	-54	-281	178	-199	185
EBIT	-2 395	-245	-1 935	-75	-299	-88	-316	141	-231	163
Net result	-2 089	-147	-1 773	128	-175	-265	-373	141	-78	163

#### Previous revenue recognition policies

EUR 1000	2015	2014	Q4 15	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14	Q1 14
Revenue	22 102	12 347	7 827	5 995	4 801	3 789	3 476	3 705	2 560	2 606
Cost of sales	8 395	6 168	2 743	2 054	2 005	1 902	1 937	1 715	1 331	1 185
Gross profit	13 707	6 179	5 084	3 941	2 796	1 888	1 539	1 990	1 229	1 421
EBITDA	-2 062	-117	-1 756	-	-252	-54	-281	178	-199	185
EBIT	-2 395	-245	-1 935	-75	-299	-88	-316	141	-231	163
Net result	-2 089	-147	-1 773	128	-175	-265	-373	141	-78	163

GIG Inc. reported a gain from the sale of minority interest as part of Other Income in the second quarter 2015; In accordance with IFRS 3 such income earned from the sale of minority interest is to be reported through equity. As such GIG Inc. has reclassified this gain to equity in the fourth quarter 2015.

The Company's affiliate service operation recognizes revenue when the Company is awarded a percentage from the revenue generated of each customer brought by the affiliate's own marketing efforts. The Company's technology service operation recognizes revenue from the invoiced license revenue for the provision of the Company's technical platform to its customers.

The Company's online sports betting service operations recognize revenues when calculations of odds on sporting events are both: a) prepared and provided to its customers and b) the calculated odds provide profits to its customers on the related sporting events betting sold to the public by its customers.

## Goodwill

Under IFRS 3, goodwill is the excess of consideration paid in a business combination over the fair value of the net tangible and intangible assets acquired. The Company has valued GIG's net outstanding 148,099,952 shares at the market price of GIG's shares on the closing of the merger transaction, NOK 1.16 (EUR 0.13). These are the shares the Company is deemed to have issued to effect the merger. The aggregate value of these shares is EUR 19,691,794, the fair value of GIG's other assets and its liabilities have been preliminarily determined to be equivalent to their carrying values, resulting in goodwill of EUR 22,230,484.



IFRS 3 requires recognition of impairment loss when the Company determines the carrying value of goodwill, measured at the segment level, will not be recovered. Goodwill is to be tested for impairment at least annually or when other factors exist indicating that an impairment loss may have occurred. The Company has tested the goodwill as of December 2015 and no impairment has occurred.

#### 4. INTANGIBLE ASSETS OTHER THAN GOODWILL

In connection with the forward acquisition of Spaseeba AS effective May 1, 2015 the shares issued to acquire Spaseeba were valued at the market price of GIG's shares on the closing of the merger transaction, NOK 1.16 (EUR 0.13). The aggregate value of these shares was EUR 3,589,891, and based on a fair value calculation performed by an external appraisal this is booked as intangible.

In Q3 2015, the Company acquired two affiliate networks including a large amount of websites with guides and quality content for the gaming industry and existing portfolios of affiliate accounts with partnering operators. The combined purchase price of EUR 1,550,000 is booked as intangible.

#### 5. SEGMENT INFORMATION

The Company operated a single segment in 2015 and 2014 and as such, segment information is not presented. Geographical sales will be disclosed annually in the annual report.

#### 6. DEPOSITS AND OTHER NON-CURRENT ASSETS

Other assets include security deposits on office leases and certain value added tax refunds due from various taxing authorities.

#### 7. CURRENT LIABILITIES

Other liabilities include players' money which have been deposited or won by players but have not yet been withdrawn.

#### 8. EARNINGS (LOSS) PER SHARE

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

#### 9. CHANGES IN EQUITY

In January 2015, 27,000,000 new GIG shares were issued for the future purchase of the minority interest in

Candid at a share price of NOK 1.30 per share completed on June 17, 2015 as part of the reversed merger. In addition, as part of the transaction, 14,000,000 shares were issued and kept in treasury to be used by GIG for future compensation of Candid employees. GIG now owns 100% of Candid. In February 2015, 5,125,000 warrants were exercised at a share price of NOK 1.30 and shares were issued on June 17, 2015.

Pursuant to a special shareholders' meeting on March 17, 2015, the Company's number of authorized shares increased from 250,000,000 to 750,000,000 each with a par value of \$0.10.

On February 15, 2015 GIG Ltd. signed an agreement to exchange its entire issued share capital for shares in GIG. On June 17, 2015, GIG issued 290 million new shares to GIG Ltd.'s shareholders as consideration for all of their shares. Also, such shareholders may be entitled to a variable consideration of up to a maximum of 125 million shares, provided GIG Ltd. reaches certain revenue targets in 2015 and 2016.

In 2014, GIG entered into a loan agreement where the lenders had an option to convert the loan into shares at a share price of NOK 0.50. During the third quarter of 2015 all remaining lenders converted their loans into shares and a total of 21,890,000 of the Company's treasury shares were used for the conversion. In August 2015, GIG transferred part of its remaining treasury shares for the exercise of 1,025,000 warrants at NOK 1.30 per share, and 795,000 shares to the sellers of an affiliate network. Also in Q3 2015, it has been agreed to reduce the number of shares held by the Candid employee trust to 9,000,000 shares, and the 5,000,000 excess shares were returned to GIG as treasury shares.

In October 2015, it was agreed to convert EUR 400,000 of liabilities and NOK 562,500 in board fees for 2015, into 2,875,000 treasury shares at a share price of NOK 1.50. Helge Nielsen, chairman received 150,000 shares, and each of the board members Jon Skabo, Christopher Langeland and Morten Soltveit received 75,000 shares each.

As of December 31, GIG owned 415,000 treasury shares.

	Treasury Shares	Common Stock Shares Issued	Common Stock Shares Issued	Common Stock Amount	Treasury Shares at cost	Share Premium/ Adjustment	Non-controlling interest	Translation Reserve	Retained Earnings (Deficit)	Total Equity
<b>Balances at January 1, 2014</b>	-	<b>174 291</b>	<b>174 291</b>	<b>1 743</b>	-	<b>949 433</b>	<b>215 279</b>	<b>-2 315</b>	<b>-72 401</b>	<b>1 091 739</b>
Adjustment to give effect to the exchange of GIG Ltd. shares for 317,000,000 shares of GIG	-	316 825 709	316 825 709	28 189 067	-	-28 189 067				-
Equity attributable to non-controlling interest on business combinations							294 774			294 774
Equity settled share based payments						158 973				158 973
Shares subscription received						1 305 271				1 305 271
Net result							-15 751		-131 240	-146 991
Exchange diff. on translating foreign operations								8 472	-8 472	-
<b>Balances at December 31, 2014</b>	-	<b>317 000 000</b>	<b>317 000 000</b>	<b>28 190 810</b>	-	<b>-25 775 390</b>	<b>494 302</b>	<b>6 157</b>	<b>-212 113</b>	<b>2 703 766</b>
Exchange of shares of GIG Ltd. for GIG	22 000 000	159 974 952	137 974 952	14 226 572	-705 642	8 707 081		4 275		22 232 286
Sale of subsidiary interest						1 492 664	-492 664			1 000 000
Exercise of warrants		5 125 000	5 125 000	455 766	33 015	426 013				914 794
Issue of treasury shares in repayment of debt and purchase of affiliates	-21 585 000	-	21 585 000		672 627					672 627
Issue of shares in repayment of debt and purchase of affiliates		6 021 000	6 021 000	537 202		1 125 246				1 662 448
Share compensation expense						123 775				123 775
Net result							-103 794		-2 136 071	-2 239 865
Exchange diff. on translating foreign operations								-150 368	150 368	-
<b>Balances at December 31, 2015</b>	<b>415 000</b>	<b>488 120 952</b>	<b>487 120 952</b>	<b>43 410 350</b>	-	<b>-13 092 893</b>	<b>-102 156</b>	<b>-139 936</b>	<b>-2 197 816</b>	<b>27 069 831</b>



## 10. LOANS PAYABLE SHAREHOLDERS

In June 2014, the Company entered into a NOK 11,975,000 loan agreement with a group of lenders with an interest rate of 10 % per annum and maturity on September 15, 2015. The lenders were granted an option to convert the loan into Company shares at a share price of NOK 0.50. In January 2015, one million NOKs in loan value was converted into two million Company shares. In the third quarter of 2015, the remaining loan balance were converted into 21.95 million Company shares.

In May 2015, GIG Ltd. entered into a loan agreement for EUR 700,000 with a lender with an interest rate of 10 % per annum and maturity on December 20, 2015. The loan was repaid in December 2015.

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

In December 2015, GIG entered into two revolving loan facilities, whereof DKK 4,000,000 with a Danish bank with an interest rate of 10 % per annum and maturity on January 1, 2018 and NOK 9,700,000 with a shareholder with an interest rate of 10 % per annum and a mutual one month termination.

Short-term loans outstanding balances at December 31, 2015 and 2014 were EUR 2,031,391 and EUR 0 respectively, and long-term EUR 1,541,375 and EUR 0.

## 11. RELATED PARTY TRANSACTIONS

In connection with the conversion of the June 2014 loan, the following primary insiders converted their part of the loan and received shares in GIG directly or through close associates; Helge Nielsen, chairman (5,000,000 shares), Jon Skabo, board member, (2,000,000 shares) and Tore Formo, CFO, (1,000,000 shares). Also, the following primary insiders has participated in the short term loans entered into in 2015, directly or through close associates; Helge Nielsen (NOK 1.1 mio), Jon Skabo (NOK 1.2 mio), Christopher Langeland, board member (NOK 2 mio.) and Morten Hillestad, CEO Innovation Labs (NOK 2 mio).

There were no other material related parties' transactions in the fourth quarter of 2015 than reported above in Notes 10 and 11.

## 12. SUBSEQUENT EVENTS

In January 2016, GIG contemplated a share issue towards a Swedish investment fund were 23 million new shares were issued at a share price of NOK 1.95.



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