

Jackpotjoy plc  
 Results for the Three Months ended 31 March 2017

*Gaming revenue up 11% year-on-year  
 Full year 2017 outlook confirmed*

LONDON, 16 May 2017 - Jackpotjoy plc (LSE: JPJ), the largest online bingo-led operator in the world, today announces the results of the Jackpotjoy group (the "Group") for the three months ended 31 March 2017.

**Financial summary**

	Three months ended 31 March 2017 £m)	Three months ended 31 March 2016 £m)	Reported Change %
Gaming revenue	71.4	64.2	11
Net (loss)/income (as reported under IFRS)	(15.3)	5.1	-
Adjusted EBITDA <sup>1</sup>	29.2	28.0	4
Adjusted net income <sup>1</sup>	20.8	23.4	(11)

**Group financial highlights**

- Solid financial performance:
  - Gaming revenue growth of 11% driven by 14% growth in the Jackpotjoy segment (71% of revenue)
  - Adjusted EBITDA<sup>1</sup> increased 4%, or 9% excluding income of £1.2m earned from the revenue guarantee in the prior year
  - Adjusted net income<sup>1</sup> down 11% due to higher interest expense from additional debt facility obtained in Q4 2016, and the impact of income earned from the revenue guarantee in the prior year
- Strong ongoing cash generation:
  - 31.3p of operating cash flow per share<sup>2</sup>. Excluding one-time/exceptional items<sup>3</sup>, this metric would increase to 40.3p per share<sup>2</sup>
  - 80% conversion rate from Adjusted EBITDA<sup>1</sup> to operating cash flow. Excluding one-time/exceptional items<sup>3</sup> this metric would increase to 103%
  - Gross cash of £112.3m at 31 March 2017
  - Adjusted net debt<sup>4</sup> of £407.3m at 31 March 2017 (£408.1m at 31 December 2016)
- No change to full year 2017 outlook - management expects revenue growth in line with market growth rates

<sup>1</sup> This release contains non-IFRS financial measures, which are noted where used. For additional details, including with respect to the reconciliations from these non-IFRS financial measures, please refer to the information under the heading "Note Regarding Non-IFRS Measures" on page 4 of this release and Note 4 – Segment Information of the unaudited interim condensed consolidated financial statements on pages 19 through 21 of this release.

<sup>2</sup> Per share figures are calculated on a diluted weighted average basis using the IFRS treasury method.

<sup>3</sup> One-time/exceptional items include transaction-related costs paid.

<sup>4</sup> Adjusted net debt consists of existing term loan, convertible debentures, incremental bond issuance, non-compete clause payout, "contingent consideration" liability and the fair value of the currency swap less non-restricted cash.

<sup>5</sup> For additional details, please refer to the information under the heading "Key performance indicators" on page 9 of this release.

**Operational highlights**

- Ongoing improvement in core KPIs<sup>5</sup> year-on-year
  - Average Active Customers<sup>5</sup> grew to 239,452 in LTM to 31 March 2017, an increase of 15% year-on-year
  - Average Real Money Gaming Revenue per month<sup>5</sup> grew to £20.9 million, an increase of 17% year-on-year
  - Monthly Real Money Gaming Revenue per Average Active Customer<sup>5</sup> of £87, an increase of 2%

## Business segments

- Jackpotjoy (71% of Group revenue) - Strong quarterly performance across all brands with revenue growth of 14% and Adjusted EBITDA<sup>1</sup> growth of 18%; Starspins and Botemania (18% of segment revenues) particularly strong due to growth in mobile and new products
- Vera&John (22% of Group revenue) - Revenue growth of 13% and Adjusted EBITDA<sup>1</sup> growth of 7%
- Mandalay (7% of Group revenue) - Revenue fell 14% compared to a record Q1 in 2016 and an Adjusted EBITDA<sup>1</sup> reduction of 15% reflected changes to on-site promotional spend in preparation for the UK point-of-consumption ("POC") tax in August 2017

## Outlook

For 2017, management continues to expect revenue growth in line with market growth rates and Q2 has seen a strong start across the Group; the Jackpotjoy segment continues to deliver robust top line growth, Vera&John has enjoyed very strong trading, while Mandalay had a record period for revenues in April. Although there will be an impact on margin from the introduction of the POC tax on bonuses in the UK, due to commence in August 2017, this may now be delayed given the forthcoming UK General Election.

### Andrew McIver, Chief Executive Officer, commented:

"The past quarter has been an exciting time for the Group as we have settled into our new home on the London Stock Exchange. Against this backdrop it is pleasing to report strong gaming revenue growth of 11%, with particularly impressive growth of 14% at our largest brand, Jackpotjoy. Meanwhile, cash conversion remained strong at over 100% excluding one-off and exceptional items.

It is also pleasing to report that we are making good progress in executing on our strategy across our portfolio of brands. I look forward to updating you more on the initiatives underway at our half-year results in August. Group trading has continued to be in line with our expectations and we remain confident that we will grow in line with the market during 2017."

## Conference call

A conference call for analysts and investors will be held today at 1.00pm BST / 8.00am ET To participate, interested parties are asked to dial +44 (0) 20 3003 2666 or +1 800 608-0547, 10 minutes prior to the scheduled start of the call using the reference "Jackpotjoy" when prompted. A replay of the conference call will be available for 30 days by dialling +44 (0) 20 8196 1998 or +1 888 889-0604 and using reference 8097981#. A transcript will also be made available on Jackpotjoy plc's website at [www.jackpotjoyplc.com/investors](http://www.jackpotjoyplc.com/investors).

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## Note Regarding Non-IFRS Measures

*The following non-IFRS measures are used in this release because management believes that they provide additional useful information regarding ongoing operating and financial performance. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be considered in isolation or construed to be alternatives to revenues and net income (loss) and comprehensive income (loss) for the period determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. The Group's method of calculating these measures may differ from the method used by other entities. Accordingly, the Group's measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.*

*Adjusted net income, as defined by the Group, means net income plus or minus items of note that management may reasonably quantify and believes will provide the reader with a better understanding of the Group's underlying business performance. Adjusted net income is calculated by adjusting net income for accretion, amortisation of acquisition related purchase price intangibles, share-based compensation, Independent Committee related expenses, loss/(gain) on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange, and gain on sale of intangible assets. The exclusion of accretion and share-based compensation eliminates the non-cash impact and the exclusion of amortisation of acquisition related purchase price intangibles, Independent Committee related expenses, loss/(gain) on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange, and gain on sale of intangible assets eliminates items which management believes are non-operational and non-routine. Adjusted net income is considered by some investors*

and analysts for the purpose of assisting in valuing a company.

Adjusted EBITDA, as defined by the Group, is income before interest expense (net of interest income), income taxes, amortisation, share-based compensation, Independent Committee related expenses, loss/(gain) on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange, and gain on sale of intangible assets. Management believes that Adjusted EBITDA is another important indicator of the issuer's ability to generate liquidity to service outstanding debt and fund acquisition earn-out payments and uses this metric for such purpose. The exclusion of share-based compensation eliminates non-cash items and the exclusion of Independent Committee related expenses, loss/(gain) on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange, and gain on sale of intangible assets eliminates items which management believes are non-operational and non-routine.

#### **Cautionary Note Regarding Forward-Looking Information**

This release contains certain information and statements that may constitute "forward-looking information" (including future-oriented financial information and financial outlooks) within the meaning of Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "estimates", "projects", "predicts", "targets", "seeks", "intends", "anticipates", or "believes" or the negative of such words or other variations of or synonyms for such words, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance, achievements or developments to be materially different from those anticipated by the Group and expressed or implied by the forward-looking statements. Forward-looking information contained in this release includes, but is not limited to, statements with respect to the Group's future financial performance (including with respect to 2017 trading, POC tax, taxes in Spain, cash conversion and our ability to pay down debt and earn-outs from future internally generated cash), the future prospects of the Group's business and operations, the Group's growth opportunities and the execution of its growth strategies, and the Group's future dividend policy. Certain of these statements relating to the Company's anticipated revenue growth may constitute a financial outlook within the meaning of Canadian securities laws. These statements reflect the Group's current expectations related to future events or its future results, performance, achievements or developments, and future trends affecting the Group. All such statements, other than statements of historical fact, are forward-looking information. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Group to secure, maintain and comply with all required licenses, permits and certifications to carry out business in the jurisdictions in which it currently operates or intends to operate; governmental and regulatory actions, including the introduction of new laws or changes in laws (or the interpretation thereof) related to online gaming; general business, economic and market conditions (including market growth rates and the withdrawal of the UK from the European Union); the Group operating in foreign jurisdictions, the competitive environment; the expected growth of the online gaming market and potential new market opportunities; anticipated and unanticipated costs; the protection of the Group's intellectual property rights; the Group's ability to successfully integrate and realize the benefits of its completed acquisitions; the expected earn out payments required to be made; the Group's relationship with the Gamesys group and other third parties; the Group's debt service obligations and the ability of the Group to obtain additional financing, if, as and when required. Such statements could also be materially affected by risks relating to the lack of available and qualified personnel or management; stock market volatility; taxation policies; competition; foreign operations; the Group's limited operating history; and the Group's ability to access sufficient capital from internal or external sources. The foregoing risk factors are not intended to represent a complete list of factors that could affect the Group. Additional risk factors are discussed in Jackpotjoy plc's annual information form dated 29 March 2017. Although Jackpotjoy plc has attempted to identify important factors that could cause actual results, performance, achievements or developments to differ materially from those described in forward-looking statements, there may be other factors that cause actual results, performance, achievements or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance, achievement or developments are likely to differ, and may differ materially, from those expressed in or implied by the forward-looking information contained in this release. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Group's expectations, estimates and views to change, Jackpotjoy plc does not undertake or assume any obligation to update or revise any forward-looking information, except as required by applicable securities laws. The forward-looking information contained in this release should not be relied upon as representing the Group's expectations, estimates and views as of any date subsequent to the date of this release. The forward-looking information contained in this release is expressly qualified by this cautionary statement. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

Any future-oriented financial information or financial outlooks in this release are based on certain assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While Jackpotjoy plc considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. These risks, uncertainties and other factors include, but are not limited to: credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, and interest rates or tax rates.

## **Financial Review**

### **Revenue**

The Group's revenues during the three months ended 31 March 2017 consisted of:

- £50.7 million in revenue earned from Jackpotjoy's operational activities.
- £15.7 million in revenue earned from Vera&John's operational activities.
- £5.0 million in revenue earned from Mandalay's operational activities.

The Group's revenues during the three months ended 31 March 2016 consisted of:

- £44.5 million in revenue earned from Jackpotjoy's operational activities.
- £13.9 million in revenue earned from Vera&John's operational activities.
- £5.8 million in revenue earned from Mandalay's operational activities.
- £1.2 million in other income earned from the revenue guarantee (the "Revenue Guarantee") relating to the service agreement entered into with Amaya Inc.

The increase in revenue for the three months ended 31 March 2017 in comparison with the three months ended 31 March 2016 relates primarily to organic growth of the Jackpotjoy segment, which increased by 14% in 2017.

### **Costs and expenses**

	Three month period ended 31 March 2017	Three month period ended 31 March 2016
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	(€000's)	(€000's)
<b>Expenses:</b>		
Distribution costs	31,244	29,858
Administration costs	25,213	22,477
Transaction related costs	1,315	1,298
	<b>57,772</b>	<b>53,633</b>

## Distribution costs

	Three month period ended 31 March 2017 (€000's)	Three month period ended 31 March 2016 (€000's)
Selling and marketing	9,603	9,232
Licensing fees	11,086	10,468
Gaming taxes	7,992	7,116
Processing fees	2,563	3,042
	<b>31,244</b>	<b>29,858</b>

Selling and marketing expenses consist of payments made to affiliates and general marketing expenses related to each brand. Licensing fees consist of the fees for the Mandalay and Jackpotjoy segments to operate on their respective platforms and game suppliers' fees paid by the Vera&John and Jackpotjoy segments. Gaming taxes largely consist of point of consumption taxes ("POC"), which is a 15% tax on Real Money Gaming Revenue (as defined in the "Key performance indicators" sub-section of this release) introduced in the UK in December 2014. Processing fees consist of costs associated with using payment providers and include payment service provider transaction and handling costs, as well as deposit and withdrawal fees. With the exception of selling and marketing expenses, distribution costs tend to be variable in relation to revenue.

The increase in distribution costs for the three months ended 31 March 2017 compared to the same period in 2016 is mainly due to higher revenues achieved. Processing fees were lower than the comparative period due to the Group renegotiating terms with certain payment service providers.

## Administrative costs

	Three month period ended 31 March 2017 (€000's)	Three month period ended 31 March 2016 (€000's)
Compensation and benefits	8,075	5,885
Professional fees	1,208	2,293
General and administrative	2,181	1,322
Amortisation	13,749	12,977
	<b>25,213</b>	<b>22,477</b>

Compensation and benefits costs consist of salaries, wages, bonuses, directors' fees, benefits and share-based compensation expense. The increase in costs for the three months ended 31 March 2017 compared to the same period in 2016, relates to staff additions and salary increases in various business units, as well as an increase in share-based compensation related to options granted during Q3 2016.

Professional fees consist of legal fees, audit fees, and Independent Committee (as defined below) related expenses. As a result of a self-identified short-seller of Intertain's common shares issuing a report on Intertain in Q4 2015, the board of directors of Intertain (the "Intertain Board") established a committee of non-management directors (the "Independent Committee") to closely review the allegations contained within the report. On 22 February 2016, the Independent Committee completed its review and concluded that the allegations and innuendos of the short-seller, related to the quality and financial performance of the underlying businesses of Intertain, were grossly erroneous. As a result of this review, Q1 2016 included one time costs of £1.7 million. The decrease in professional fees for the three months ended 31 March 2017 compared to the same period in 2016 is the result of these one time costs incurred in Q1 2016.

General and administrative expenses consist of items, such as rent and occupancy, travel and accommodation, insurance, listing fees, technology and development costs, and other office overhead charges. The increase in these expenses for the three months ended 31 March 2017 compared to the same period in the prior year can be attributed to slightly higher travel, rent and overhead costs.

Amortisation consists of depreciation of the Group's tangible and intangible assets over their useful lives. The increase in amortisation is due to intangible and tangible asset additions since Q1 2016.

## Transaction related costs

Transaction related costs consist of legal, professional, due diligence, and special committee fees; other direct costs/fees associated with transactions and acquisitions contemplated or completed; and costs associated with the UK strategic review undertaken by the board of directors of Intertain and implementing Intertain's UK-centered strategic initiatives.

## Business unit results

### Jackpotjoy

Q1 2017 £(millions)	Q1 2016 £(millions)	Variance £(millions)	Variance %

Revenue	50.7	44.5	6.2	14%
Distribution costs	20.5	18.8	1.7	9%
Administration costs	4.2	3.7	0.5	14%
Adjusted EBITDA	26.0	22.0	4.0	18%

Revenue for the Jackpotjoy segment increased quarter over quarter due to organic growth in all brands except for social gaming. Jackpotjoy UK real money revenue accounted for 67% of the Jackpotjoy segment's revenue for the three months ended 31 March 2017. Revenue further increased as a result of significant growth quarter over quarter at both the Starspins and Botemania brands, which collectively accounted for 18% of this segment's revenue. The sharp increase in revenues from the Starspins and Botemania brands is a result of the Botemania brands mobile slots launch in Q2 2016 as well as continued overall growth progression of these two businesses.

## Vera&John

	Q1 2017	Q1 2016	Variance	
	£ (millions)	£(millions)	£(millions)	Variance %
Revenue*	15.7	13.9	1.8	13%
Distribution costs	7.6	7.4	0.2	3%
Administration costs	3.7	2.4	1.3	54%
Adjusted EBITDA*	4.4	4.1	0.3	7%

\*Excludes other income earned from the Revenue Guarantee. In the three months ended 31 March 2017, £nil (2016 - £1.2 million) was earned from the Revenue Guarantee.

Revenue for the Vera&John segment in Q1 2017 increased by 13% compared to Q1 2016, which is due to a combination of organic growth in the segment and differences in the GBP to EUR exchange rates in those periods.

Distribution costs increased by 3% in Q1 2017 compared to Q1 2016, which is primarily due to the increase in selling and marketing costs of 12%. Other distribution costs, such as game suppliers and payment providers' costs usually change proportionally with revenue; however, in Q1 2016 these distribution costs were higher than in Q1 2017 by 8%, as InterCasino was a separate segment on a different platform. Due to the migration of InterCasino to the Plain Gaming platform, some economies of scale have been realised. This, combined with targeted efforts in Q1 2017 to streamline payment processing procedures and costs, led to the decrease in these costs against the comparative period in 2016. Increases in administration costs were mainly driven by increases in personnel and office related costs as the segment continues to expand.

## Mandalay

	Q1 2017	Q1 2016	Variance	
	£(millions)	£(millions)	£(millions)	Variance %
Revenue	5.0	5.8	(0.8)	(14%)
Distribution costs	3.0	3.5	(0.5)	(14%)
Administration costs	0.3	0.3	-	-
Adjusted EBITDA	1.7	2.0	(0.3)	(15%)

There has been a decrease in revenues for the Mandalay segment of £0.8 million quarter over quarter as Q1 2016 was a record quarter for the Mandalay brands. There have also been changes to the on-site promotional spend in preparation for changes to UK POC tax, anticipated to occur in the second half of 2017, when bonuses will be subject to taxation. These changes have caused an initial decrease in revenues but should result in improved operational margins and deposit hold in the medium and long term.

## Unallocated Corporate Costs

Unallocated corporate costs increased from £1.2 million to £2.9 million in the three months ended 31 March 2017 as compared to the three months ended 31 March 2016. The variance mainly relates to a £0.6 million increase in compensation due to the addition of new staff, a £0.5 million increase in general and administrative overheads, and a £0.7 million increase in professional fees.

## Key performance indicators

**Average Active Customers** is a key performance indicator used by management to assess 'real money' customer acquisition and 'real money' customer retention efforts of each of the Group's brands. The Group defines Average Active Customers as being 'real money' customers who have placed at least one bet in a given month ("Average Active Customers"). "Average Active Customers per Month" is the Average Active Customers per month, averaged over a twelve-month period. While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of the Group's ability to acquire and retain customers.

**Real Money Gaming Revenue** and **Average Real Money Gaming Revenue** per month are key performance indicators used by management to assess revenue earned from real money gaming operations of the business. The Group defines Real Money Gaming Revenue ("Real Money Gaming Revenue") as revenue less revenue earned from the Revenue Guarantee, affiliate websites and social gaming. The Group defines Average Real Money Gaming Revenue per month ("Average Real Money Gaming Revenue per month") as Real Money Gaming Revenue per month, averaged over a twelve-month period. While these measures are not recognised by IFRS, management believes that they are meaningful indicators of the Group's real money gaming operational results.

**Monthly Real Money Gaming Revenue per Average Active Customer** is a key performance indicator used by management to assess the Group's ability to generate Real Money Gaming Revenue on a per customer basis. The Group defines Monthly Real Money Gaming Revenue per Average Active Customer ("Monthly Real Money Gaming

Revenue per Average Active Customer") as being Average Real Money Gaming Revenue per month divided by Average Active Customers per Month. While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of the Group's ability to generate Real Money Gaming Revenue.

	Twelve months ended 31 March 2017	Twelve months ended 31 March 2016 <sup>(2)</sup>	Variance	Variance %
Average Active Customers per month (#)	239,452	208,795	30,657	15%
Total Real Money Gaming Revenue (£000) <sup>(1)</sup>	250,269	213,772	36,497	17%
Average Real Money Gaming Revenue per month (£000)	20,856	17,814	3,042	17%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	87	85	2	2%

(1) Total Real Money Gaming Revenue for the twelve months 31 March 2017 consists of total revenue less other income earned from the Revenue Guarantee and platform migration of £0.9 million (31 March 2016 - £8.0 million) and revenue earned from affiliate websites and social gaming revenue of £23.8 million (31 March 2016 - £24.0 million).

(2) Figures presented on a pro-forma basis.

Monthly Real Money Gaming Revenue per Average Active Customer is consistent year over year which is in line with the Group's overall customer acquisition and retention strategy.

## Independent review report to Jackpotjoy plc

### Introduction

We have been engaged by the company to review the condensed set of financial statements in the quarterly financial report for the three months ended 31 March 2017 which comprises the Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Balance Sheet, Interim Condensed Consolidated Statement of Changes in Equity, Interim Condensed Consolidated Statement of Cash Flows and the related notes.

We have read the other information contained in the quarterly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The quarterly financial report is the responsibility of and has been approved by the directors.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this quarterly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board and International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the quarterly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as issued by the International Auditing and Assurance Standards Board and International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing or International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the quarterly financial report for the three months ended 31 March 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as issued by the International Accounting Standards Board, International Accounting Standard 34, as adopted by the European Union.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended 31 March 2017 (£000's)	Three months ended 31 March 2016 (£000's)
<b>Revenue and other income</b>		
Gaming revenue	71,376	64,231
Other income earned from revenue guarantee	-	1,181
<b>Total revenue and other income</b>	<b>71,376</b>	<b>65,412</b>
<b>Costs and expenses</b>		
Distribution costs <sup>4,5</sup>	31,244	29,858
Administrative costs <sup>5</sup>	25,213	22,477
Transaction related costs <sup>4,5</sup>	1,315	1,298
Foreign exchange loss <sup>4</sup>	2,133	521
<b>Total costs and expenses</b>	<b>59,905</b>	<b>54,154</b>
<b>Gain on sale of intangible assets</b>	<b>(1,002)</b>	-
Fair value adjustments on contingent consideration <sup>15</sup>	12,856	1,673
Realised/unrealised loss/(gain) on cross currency swap <sup>10</sup>	3,534	(4,030)
Interest income <sup>6</sup>	(38)	(29)
Interest expense <sup>6</sup>	11,336	8,378
<b>Financing expenses</b>	<b>27,688</b>	<b>5,992</b>
<b>Net (loss)/income for the period before taxes</b>	<b>(15,215)</b>	<b>5,266</b>
Current tax provision	191	281
Deferred tax recovery	(105)	(82)
<b>Net (loss)/income for the period</b>	<b>(15,301)</b>	<b>5,067</b>
<b>Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods</b>		
Foreign currency translation gain	5,555	2,470
Unrealised loss on cross currency hedge reserve	(813)	-
<b>Total comprehensive (loss)/income for the period</b>	<b>(10,559)</b>	<b>7,537</b>
<b>Net (loss)/income for the period per share</b>		
Basic <sup>7</sup>	£(0.21)	£0.07
Diluted <sup>7</sup>	£(0.21)	£0.07

See accompanying notes

## UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31 March 2017 (£000's)	As at 31 March 2016 (£000's)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash <sup>8</sup>	112,297	68,485
Restricted cash <sup>8</sup>	282	253
Customer deposits	8,296	8,573
Trade and other receivables <sup>9</sup>	16,472	16,763
Current portion of cross currency swap <sup>10,15</sup>	-	38,171
Taxes receivable	7,681	6,832
<b>Total current assets</b>	<b>145,028</b>	<b>139,077</b>
Tangible assets	1,284	852
Intangible assets <sup>11</sup>	339,274	352,473
Goodwill <sup>11</sup>	296,041	296,352
Other long-term receivables	2,651	2,624
<b>Total non-current assets</b>	<b>639,250</b>	<b>652,301</b>
<b>Total assets</b>	<b>784,278</b>	<b>791,378</b>

## LIABILITIES AND EQUITY

### Current liabilities

Accounts payable and accrued liabilities <sup>12</sup>	10,007	8,992
Current portion of cross currency swap payable <sup>10,15</sup>	286	-
Other short-term payables <sup>13</sup>	11,649	15,321
Interest payable	681	633
Payable to customers	8,296	8,573
Current portion of long-term debt <sup>14</sup>	26,270	26,695
Current portion of contingent consideration <sup>15</sup>	93,635	86,903
Provision for taxes	8,847	7,743
<b>Total current liabilities</b>	<b>159,671</b>	<b>154,860</b>

Contingent consideration <sup>15</sup>	41,511	33,284
Other long-term payables <sup>16</sup>	12,964	14,505
Cross currency swap payable <sup>10,15</sup>	527	-
Deferred tax liability	1,428	1,897
Convertible debentures <sup>17</sup>	1,188	3,266
Long-term debt <sup>14</sup>	335,230	344,098
<b>Total non-current liabilities</b>	<b>392,848</b>	<b>397,050</b>

<b>Total liabilities</b>	<b>552,519</b>	<b>551,910</b>
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### Equity

Retained earnings	(186,038)	(170,737)
Share capital	7,372	7,298
Other reserves	410,425	402,907
<b>Total equity</b>	<b>231,759</b>	<b>239,468</b>

<b>Total liabilities and equity</b>	<b>784,278</b>	<b>791,378</b>
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See accompanying notes

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital (£000's)	Other Reserves (£000's)	Redeemable Shares (£000's)	Share-Based Payment Reserve (£000's)	Translation Reserve (£000's)	Cross Currency Hedge Reserve (£000's)	Retained Earnings/ (Deficit) (£000's)	Total (£000's)
<b>Balance 1 January 2016</b>	<b>7,051</b>	<b>390,481</b>	-	<b>6,779</b>	<b>14,816</b>	-	<b>(130,094)</b>	<b>289,033</b>
<b>Comprehensive income for the period</b>								
Net income for the period	-	-	-	-	-	-	5,067	5,067
Other comprehensive income	-	-	-	-	2,470	-	-	2,470
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>2,470</b>	-	<b>5,067</b>	<b>7,537</b>
<b>Contributions by and distributions to shareholders:</b>								
Conversion of debentures <sup>17</sup>	2	42	-	-	-	-	-	44
Exercise of common share warrants <sup>17</sup>	4	187	-	-	-	-	-	191
Share-based compensation <sup>17</sup>	-	-	-	298	-	-	-	298
<b>Total contributions by and distributions to shareholders</b>	<b>6</b>	<b>229</b>	-	<b>298</b>	-	-	-	<b>533</b>
<b>Balance at 31 March 2016</b>	<b>7,057</b>	<b>390,710</b>	-	<b>7,077</b>	<b>17,286</b>	-	<b>(125,027)</b>	<b>297,103</b>
<b>Balance at 1 January 2017</b>	<b>7,298</b>	<b>397,772</b>	<b>50</b>	<b>8,598</b>	<b>(3,513)</b>	-	<b>(170,737)</b>	<b>239,468</b>
<b>Comprehensive income (loss) for the period</b>								
Net loss for the period	-	-	-	-	-	-	(15,301)	(15,301)
Other comprehensive income	-	-	-	-	5,555	-	-	5,555
Loss on cross currency hedge reserve	-	-	-	-	-	(813)	-	(813)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	-	<b>5,555</b>	<b>(813)</b>	<b>(15,301)</b>	<b>(10,559)</b>
<b>Contributions by and distributions to shareholders:</b>								
Conversion of debentures <sup>17</sup>	63	2,049	-	-	-	-	-	2,112
Exercise of options <sup>17</sup>	11	329	-	(77)	-	-	-	263
Cancellation of redeemable shares	-	-	(50)	-	-	-	-	(50)
Share-based compensation <sup>17</sup>	-	-	-	525	-	-	-	525



Total contributions by and distributions to shareholders	74	2,378	(50)	488	-	-	-	2,850
Balance at 31 March 2017	7,372	400,150	-	9,046	2,042	(813)	(186,038)	231,759

See accompanying notes

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 31 March 2017 (£000's)	Three months ended 31 March 2016 (£000's)
<b>Operating activities</b>		
Net (loss)/income for the year	(15,301)	5,067
<i>Add (deduct) items not involving cash</i>		
Amortisation	13,749	12,977
Share-based compensation expense <sup>17</sup>	525	298
Current tax provision	191	281
Deferred tax recovery	(105)	(82)
Interest expense, net <sup>6</sup>	11,298	8,349
Gain on sale of intangible assets	(1,002)	-
Fair value adjustments on contingent consideration <sup>15</sup>	12,856	1,673
Realised/unrealised loss/(gain) on cross currency swap <sup>10</sup>	3,534	(4,030)
Foreign exchange loss	2,133	521
	<b>27,878</b>	<b>25,054</b>
<b>Change in non-cash operating items</b>		
Trade and other receivables	487	237
Other long-term receivables	(16)	67
Accounts payable and accrued liabilities	(1,429)	617
Other short-term payables	(3,672)	600
<b>Cash provided by operating activities</b>	<b>23,248</b>	<b>26,575</b>
Income taxes paid	(28)	-
Incomes taxes received	102	-
<b>Total cash provided by operating activities</b>	<b>23,322</b>	<b>26,575</b>
<b>Financing activities</b>		
Restriction of cash balances	21	-
Proceeds from exercise of warrants	-	191
Proceeds from exercise of options	263	-
Proceeds from cross currency swap settlement <sup>10</sup>	34,373	-
Interest repayment	(7,550)	(4,232)
Principal payments made on long-term debt <sup>14</sup>	(6,296)	(5,923)
<b>Total cash provided by/(used in) financing activities</b>	<b>20,811</b>	<b>(9,964)</b>
<b>Investing activities</b>		
Purchase of tangible assets	(511)	-
Purchase of intangible assets	(549)	(332)
Proceeds from sale of intangible assets	1,002	-
<b>Total cash used in investing activities</b>	<b>(58)</b>	<b>(353)</b>
<b>Net increase in cash during the period</b>	<b>44,075</b>	<b>16,258</b>
Cash, beginning of the period	68,485	31,762
Exchange loss on cash and cash equivalents	(263)	2,601
<b>Cash, end of the period</b>	<b>112,297</b>	<b>50,621</b>

See accompanying notes

## SUPPLEMENTARY NOTES FOR THREE MONTHS ENDED 31 MARCH 2017

### 1. Corporate Information

Jackpotjoy plc is an online gaming holding company and the parent company of The Intertain Group Limited ("Intertain"). Jackpotjoy plc was incorporated pursuant to the *Companies Act 2006* (England and Wales) on 29 July 2016. Jackpotjoy plc's registered office is located at 35 Great St. Helen's, London, United Kingdom. Jackpotjoy plc became the parent company of Intertain on 25 January 2017, following a plan of arrangement transaction involving a one-for-one share exchange of all and the then outstanding common shares of Intertain shares for ordinary shares of Jackpotjoy plc. Unless the context requires otherwise, use of the "Company" in these accompanying notes means Jackpotjoy plc and its subsidiaries, as applicable.

The Company currently offers bingo, casino and other games to its customers using the Jackpotjoy, Starspins,

Botemania, Vera&John, Costa Bingo, InterCasino, and other brands. The Jackpotjoy, Starspins, and Botemania brands operate off proprietary software owned by the Gamesys group ("Gamesys"), the Company's B2B software and support provider. The Vera&John and InterCasino brands operate off proprietary software owned by the Company. The Mandalay segment's bingo offerings operate off the Dragonfish platform, a software service provided by the 888 group. Additionally, the Company receives fees for marketing services provided by its affiliate portal business.

These Unaudited Interim Condensed Consolidated Financial Statements were authorized for issue by the Board of Directors of Jackpotjoy plc (the "Board of Directors") on 15 May 2017.

## **2. Basis of Preparation**

### **Basis of presentation**

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared by management on a going concern basis, are presented in compliance with International Accounting Standard 34 - *Interim Financial Reporting*, and have been prepared on a basis consistent with the accounting policies and methods used and disclosed in Intertain's 2016 annual consolidated financial statements for the year ended 31 December 2016 (the "Annual Financial Statements"). Certain information and disclosures normally included in the Annual Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, which also complies with IFRS as issued by the International Accounting Standards Board, have been omitted or condensed.

These Unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Statements. All defined terms used herein are consistent with those terms as defined in the Annual Financial Statements.

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Company's cross currency swap and contingent consideration.

This is the first set of Unaudited Interim Condensed Consolidated Financial Statements of Jackpotjoy plc. Following Jackpotjoy plc becoming the parent company of the group (as detailed in note 1), these Unaudited Interim Condensed Consolidated Financial Statements have been prepared under the merger method of accounting as a continuation of the Intertain business. The result of the application is to present the Unaudited Interim Condensed Consolidated Financial Statements as if Jackpotjoy plc has always been the parent company and owned all of the subsidiaries, and the comparatives have also been prepared on that basis. The adoption of the merger method of accounting had no impact on reported earnings per share.

The comparative financial information for the year ended 31 December 2016 in these Unaudited Interim Condensed Consolidated Financial Statements does not constitute statutory accounts for that year. The auditors' report on the statutory accounts for the period ended 31 December 2016 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the *Companies Act 2006*.

As at 31 March 2017, the Company has consolidated current assets and current liabilities of £145.0 million and £159.7 million, respectively, giving rise to a net current liability of £14.7 million. Cash generated through future operating activities in the next quarter is sufficient to cover the net current liability.

### **Basis of consolidation**

Jackpotjoy plc's Unaudited Interim Condensed Consolidated Financial Statements consolidate the parent company and all of its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All transactions and balances between companies are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Jackpotjoy plc obtains control, and continue to be consolidated until the date that such control ceases.

Intercompany transactions, balances, income and expenses on transactions between Jackpotjoy plc's subsidiaries are eliminated. Profit and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

## **3. Summary of Significant Accounting Policies**

### **Change in presentation currency**

Effective from 1 January 2017, the Company changed its presentation currency from Canadian dollars ("CAD" or "\$") to pounds sterling ("GBP" or "£"). Comparative information has been restated in pounds sterling in accordance with the guidance defined in IAS 21 - *The Effects of Changes in Foreign Exchange Rates*. The Q1 2016 Unaudited Interim Condensed Consolidated Financial Statements have been retranslated from Canadian dollars to pounds sterling using the procedures outlined below:

- assets and liabilities were translated into pounds sterling at closing rates of exchange as at 31 December 2016 (\$:£ - 0.6037). Income and expenses were translated into pounds sterling at average rates of exchange (\$:£ - 0.5090). Differences resulting from the retranslation on the opening net assets and the results for the year have been taken to reserves;
- share capital and other reserves were translated at historic rates prevailing at the dates of transactions.

The balances in the Unaudited Interim Condensed Consolidated Statements of Cash Flows have been translated from CAD to GBP in accordance with IFRS, using a combination of quarterly average and spot rates in effect during the period ended 31 March 2016. Quarterly average exchange rates were used to convert changes in items not involving cash and cash provided by/(used in) operating activities, financing activities, and investing activities. Spot rates were used to convert cash balances, beginning of period and cash balances, end of period.

As a result of this change, no retranslation movement will be recorded in the Statements of Comprehensive Income for subsidiaries, whose functional currency is GBP.

#### 4. Segment Information

The following tables present selected financial results for each segment and the unallocated corporate costs:

##### Three months ended 31 March 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
<b>Total revenue</b>	<b>50,666</b>	<b>15,691</b>	<b>5,019</b>	<b>-</b>	<b>71,376</b>
Distribution costs	20,543	7,648	3,011	42	31,244
Amortisation and depreciation	9,690	2,368	1,593	98	13,749
Compensation, professional, and general and administrative expenses	4,161	3,660	285	3,358	11,464
Transaction related costs	-	-	-	1,315	1,315
Foreign exchange	(18)	59	(2)	2,094	2,133
Gain on sale of intangible assets	-	(1,002)	-	-	(1,002)
Financing, net	-	(34)	1	27,721	27,688
<b>Income/(loss) for the period before taxes</b>	<b>16,290</b>	<b>2,992</b>	<b>131</b>	<b>(34,628)</b>	<b>(15,215)</b>
Taxes	-	86	-	-	86
<b>Net income/(loss) for the period</b>	<b>16,290</b>	<b>2,906</b>	<b>131</b>	<b>(34,628)</b>	<b>(15,301)</b>
<b>Net income/(loss) for the period</b>	<b>16,290</b>	<b>2,906</b>	<b>131</b>	<b>(34,628)</b>	<b>(15,301)</b>
Interest expense, net	-	(34)	1	11,331	11,298
Taxes	-	86	-	-	86
Amortisation and depreciation	9,690	2,368	1,593	98	13,749
<b>EBITDA</b>	<b>25,980</b>	<b>5,326</b>	<b>1,725</b>	<b>(23,199)</b>	<b>9,832</b>
Share-based compensation	-	-	-	525	525
Fair value adjustment on contingent consideration	-	-	-	12,856	12,856
Loss on cross currency swap	-	-	-	3,534	3,534
Transaction related costs	-	-	-	1,315	1,315
Gain on sale of intangible assets	-	(1,002)	-	-	(1,002)
Foreign exchange	(18)	59	(2)	2,094	2,133
<b>Adjusted EBITDA</b>	<b>25,962</b>	<b>4,383</b>	<b>1,723</b>	<b>(2,875)</b>	<b>29,193</b>
<b>Net income/(loss) for the period</b>	<b>16,290</b>	<b>2,906</b>	<b>131</b>	<b>(34,628)</b>	<b>(15,301)</b>
Share-based compensation	-	-	-	525	525
Fair value adjustment on contingent consideration	-	-	-	12,856	12,856
Loss on cross currency swap	-	-	-	3,534	3,534
Transaction related costs	-	-	-	1,315	1,315
Gain on sale of intangible assets	-	(1,002)	-	-	(1,002)
Foreign exchange	(18)	59	(2)	2,094	2,133
Amortisation of acquisition related purchase price intangibles	9,690	2,107	1,593	-	13,390
Accretion	-	-	-	3,389	3,389
<b>Adjusted net income/(loss)</b>	<b>25,962</b>	<b>4,070</b>	<b>1,722</b>	<b>(10,915)</b>	<b>20,839</b>

##### Three months ended 31 March 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
<b>Total revenue and other income</b>	<b>44,456</b>	<b>15,135</b>	<b>5,821</b>	<b>-</b>	<b>65,412</b>
Distribution costs	18,820	7,430	3,481	127	29,858
Amortisation and depreciation	10,056	1,753	1,162	6	12,977
Compensation, professional, and general and administrative expenses	3,643	2,465	298	3,094	9,500
Transaction related costs	-	81	-	1,217	1,298
Foreign exchange	(149)	337	(31)	364	521

Financing, net	-	(22)	2	6,012	5,992
<b>Income/(loss) for the period before taxes</b>	<b>12,086</b>	<b>3,091</b>	<b>909</b>	<b>(10,820)</b>	<b>5,266</b>
Taxes	-	199	-	-	199
<b>Net income/(loss) for the period</b>	<b>12,086</b>	<b>2,892</b>	<b>909</b>	<b>(10,820)</b>	<b>5,067</b>
<b>Net income/(loss) for the period</b>	<b>12,086</b>	<b>2,892</b>	<b>909</b>	<b>(10,820)</b>	<b>5,067</b>
Interest expense, net	-	(22)	2	8,369	8,349
Taxes	-	199	-	-	199
Amortisation and depreciation	10,056	1,753	1,162	6	12,977
<b>EBITDA</b>	<b>22,142</b>	<b>4,822</b>	<b>2,073</b>	<b>(2,445)</b>	<b>26,592</b>
Share-based compensation	-	-	-	298	298
Independent Committee related expenses	-	-	-	1,693	1,693
Fair value adjustment on contingent consideration	-	-	-	1,673	1,673
Gain on cross currency swap	-	-	-	(4,030)	(4,030)
Transaction related costs	-	81	-	1,217	1,298
Foreign exchange	(149)	337	(31)	364	521
<b>Adjusted EBITDA</b>	<b>21,993</b>	<b>5,240</b>	<b>2,042</b>	<b>(1,230)</b>	<b>28,045</b>
<b>Net income/(loss) for the period</b>	<b>12,086</b>	<b>2,892</b>	<b>909</b>	<b>(10,820)</b>	<b>5,067</b>
Share-based compensation	-	-	-	298	298
Independent Committee related expenses	-	-	-	1,693	1,693
Fair value adjustment on contingent consideration	-	-	-	1,673	1,673
Gain on cross currency swap	-	-	-	(4,030)	(4,030)
Transaction related costs	-	81	-	1,217	1,298
Foreign exchange	(149)	337	(31)	364	521
Amortisation of aquisition related purchase price intangibles	10,056	1,655	1,162	-	12,873
Accretion	-	-	-	4,036	4,036
<b>Adjusted net income/(loss)</b>	<b>21,993</b>	<b>4,965</b>	<b>2,040</b>	<b>(5,569)</b>	<b>23,429</b>

The following table presents net assets per segment and unallocated corporate costs as at 31 March 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	15,751	44,453	6,656	78,168	145,028
Goodwill	224,348	55,081	16,612	-	296,041
Long-term assets	268,013	36,537	16,427	22,232	343,209
<b>Total assets</b>	<b>508,112</b>	<b>136,071</b>	<b>39,695</b>	<b>100,400</b>	<b>784,278</b>
Current liabilities	5,922	17,431	1,441	134,877	159,671
Long-term liabilities	-	1,428	-	391,420	392,848
<b>Total liabilities</b>	<b>5,922</b>	<b>18,859</b>	<b>1,441</b>	<b>526,297</b>	<b>552,519</b>
<b>Net assets</b>	<b>502,190</b>	<b>117,212</b>	<b>38,254</b>	<b>(425,897)</b>	<b>231,759</b>

The following table presents net assets per segment and unallocated corporate costs as at 31 December 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	15,033	38,870	6,509	78,665	139,077
Goodwill	224,348	55,392	16,612	-	296,352
Long-term assets	277,702	38,163	18,020	22,064	355,949
<b>Total assets</b>	<b>517,083</b>	<b>132,425</b>	<b>41,141</b>	<b>100,729</b>	<b>791,378</b>
Current liabilities	5,790	16,711	1,483	130,876	154,860
Long-term liabilities	-	1,897	-	395,153	397,050
<b>Total liabilities</b>	<b>5,790</b>	<b>18,608</b>	<b>1,483</b>	<b>526,029</b>	<b>551,910</b>
<b>Net assets</b>	<b>511,293</b>	<b>113,817</b>	<b>39,658</b>	<b>(425,300)</b>	<b>239,468</b>

During the three months ended 31 March 2017 and 2016, substantially all of the revenue earned by the Company was in Europe. Non-current assets by geographical location as at 31 March 2017 were as follows: Europe £91.6 million (31 December 2016 - £93.6 million) and Americas £547.6 million (31 December 2016 - £558.7 million).

## 5. Costs and Expenses

	Three Months Ended 31 March 2017 (£000's)	Three Months Ended 31 March 2016 (£000's)
<b>Distribution costs:</b>		
Selling and marketing	9,603	9,232
Licensing fees	11,086	10,468
Gaming taxes	7,992	7,116

Processing fees	2,563	3,042
	<u>31,244</u>	<u>29,858</u>
<b>Administrative costs:</b>		
Compensation and benefits	8,075	5,885
Professional fees	1,208	2,293
General and administrative	2,181	1,322
Tangible asset amortisation	73	28
Intangible asset amortisation	13,676	12,949
	<u>25,213</u>	<u>22,477</u>

Transaction related costs consist of legal, professional, due diligence, and special committee fees; other direct costs/fees associated with transactions and acquisitions contemplated or completed; and costs associated with the UK strategic review undertaken by the board of directors of Intertain and implementing Intertain's UK-centered strategic initiatives.

## 6. Interest Expense/Income

	Three Months Ended 31 March 2017	Three Months Ended 31 March 2016
	(£000's)	(£000's)
Interest earned on cash held during the period	38	29
Total interest income	<u>38</u>	<u>29</u>
Interest paid and accrued on long-term debt	7,925	4,232
Accretion of discount recognised on contingent consideration	2,103	3,547
Interest paid and accrued on convertible debentures	22	110
Interest accretion recognised on convertible debentures	18	88
Interest accretion recognised on long-term debt	783	401
Interest accretion recognised on other long-term liabilities	485	-
Total interest expense	<u>11,336</u>	<u>8,378</u>

## 7. Earnings per Share

The following table presents the calculation of basic and diluted earnings per share:

	Three Months Ended 31 March 2017	Three Months Ended 31 March 2016
	(£000's)	(£000's)
<b>Numerator:</b>		
Net (loss)/income - basic	(15,301)	5,067
Net (loss)/income - diluted	<u>(15,301)</u>	<u>5,173</u>
<b>Denominator:</b>		
Weighted average number of shares outstanding - basic	73,573	70,555
<b>Instruments, which are anti-dilutive:</b>		
Weighted average effect of dilutive share options	454	815
Weighted average effect of convertible debentures <sup>2</sup>	487	2,828
Net (loss)/earnings per share <sup>3,4</sup>		
Basic	£(0.21)	£0.07
Diluted <sup>1</sup>	<u>£(0.21)</u>	<u>£0.07</u>

<sup>1</sup> In the case of a net loss, the effect of share options potentially exercisable on diluted loss per share will be anti-dilutive; therefore, basic and diluted net loss per share will be the same.

<sup>2</sup> An assumed conversion of convertible debentures had an anti-dilutive effect on loss per share for the three months ended 31 March 2017. For the three months ended 31 March 2016, an assumed conversion of convertible debentures had a dilutive effect on income per share and was included in the calculation of diluted earnings per share for that period.

<sup>3</sup> Basic (loss)/earnings per share is calculated by dividing the net (loss)/income attributable to common shareholders by the weighted average number of shares outstanding during the year.

<sup>4</sup> Diluted (loss)/earnings per share is calculated by dividing the net (loss)/income attributable to ordinary shareholders by the weighted average number of shares outstanding during the period and adjusted for the number of potentially dilutive share options and contingently issuable instruments.

## 8. Cash and Restricted Cash

	31 March 2017	31 December 2016
	(£000's)	(£000's)
Cash	77,374	33,558
Segregated cash*	34,923	34,927
Cash and cash equivalents	112,297	68,485
Restricted cash - other	282	253
Total cash balances	<u>112,579</u>	<u>68,738</u>

\* This balance consists of cash on deposit with payment service providers, as well as segregated funds held in accordance with the terms of the Jackpotjoy earn-out payment, where the Company is required to segregate 90% (April 2015 - March 2016 - 65%) of its excess cash flow, less mandatory repayments of the Company's long-term debt and earn-out payments, in a non-operational bank account. £34.7 million was held in this account as at 31 March 2017 (£34.7 million as at 31 December 2016). Segregated cash does not qualify as restricted cash and, as such, it is included in cash.

The restricted cash balance as at 31 March 2017 totalled £0.3 million and consisted of cash held as collateral on the

Company's leased premises.

## 9. Trade and Other Receivables

Receivables consist of the following items:

	31 March 2017	31 December 2016
	(€000's)	(€000's)
Due from the Gamesys group	9,829	9,242
Due from the 888 group	1,615	1,625
Affiliate revenue receivable	1,294	1,766
Short-term loans receivable	611	572
Swap-related receivable	-	1,948
Prepaid expenses	2,409	967
Other	714	643
	<u>16,472</u>	<u>16,763</u>

## 10. Cross Currency Swap

On 23 November 2015, the Company entered into a cross currency swap agreement (the "Currency Swap") in order to minimize the Company's exposure to exchange rate fluctuations between GBP and the US dollar ("USD") as cash generated from the Company's operations is largely in GBP, while a portion of the principal and interest payments on the Company's Credit Facilities (as defined below) are in USD. Under the Currency Swap, 90% of the Company's USD Term Loan (as defined below) interest and principal payments were swapped into GBP. The Company paid a fixed 7.81% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments were made at a GBP/USD foreign exchange rate of 1.5135 on a USD notional amount of \$293,962,500.

On 28 March 2017, the Company terminated the Currency Swap and realised total proceeds of approximately USD 42.6 million and subsequently entered into a new cross currency swap agreement (the "New Currency Swap"). Under the New Currency Swap, 50% of the Company's Term Loan interest and principal payments will be swapped into GBP. The Company will pay a fixed 7.4% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments will be made at a GBP/USD foreign exchange rate of 1.2584 on a USD notional amount of \$136,768,333. The New Currency Swap expires on 30 September 2019. The agreement was entered into at no cost to the Company.

The fair value of the New Currency Swap liability as at 31 March 2017 is £0.8 million (31 December 2016 - asset of £38.2 million).

## 11. Intangible Assets

### As at 31 March 2017

	Customer				Partnership	Non-Compete	Goodwill	Total
	Gaming Licenses	Relationships	Software	Brand	Agreements	Clauses		
	(€000's)	(€000's)	(€000's)	(€000's)	(€000's)	(€000's)	(€000's)	(€000's)
<b>Cost</b>								
Balance, 1 January 2017	94	340,927	21,670	70,054	12,900	20,434	317,829	783,908
Additions	-	-	549	-	-	-	-	549
Translation	(1)	(97)	23	(82)	-	-	(653)	(810)
Balance, 31 March 2017	<u>93</u>	<u>340,830</u>	<u>22,242</u>	<u>69,972</u>	<u>12,900</u>	<u>20,434</u>	<u>317,176</u>	<u>783,647</u>
<b>Accumulated amortisation</b>								
Balance, 1 January 2017	34	96,811	7,414	6,523	2,824	-	21,477	135,083
Amortisation	4	11,254	1,133	876	409	-	-	13,676
Translation	11	(74)	(9)	(13)	-	-	(342)	(427)
Balance, 31 March 2017	<u>49</u>	<u>107,991</u>	<u>8,538</u>	<u>7,386</u>	<u>3,233</u>	<u>-</u>	<u>21,135</u>	<u>148,332</u>
<b>Carrying value</b>								
Balance, 31 March 2017	<u>44</u>	<u>232,839</u>	<u>13,704</u>	<u>62,586</u>	<u>9,667</u>	<u>20,434</u>	<u>296,041</u>	<u>635,315</u>

During the three months ended 31 March 2017, no amortisation charge was recognised on the additional non-compete clauses as the additional clauses do not come into effect until April 2017 (as described in note 16).

### As at 31 December 2016

	Gaming	Customer	Revenue	Partnership	Non-Compete	Goodwill	Total		
	Licenses	Relationships	Software	Guarantee	Brand			Agreements	Clauses
	(€000's)	(€000's)	(€000's)	(€000's)	(€000's)	(€000's)	(€000's)		
<b>Cost</b>									
Balance, 1 January 2016	76	337,502	17,175	4,010	68,284	12,900	-	306,295	746,242
Additions	-	-	1,836	-	-	-	20,434	-	22,270
Translation	18	3,425	2,659	783	1,770	-	-	11,534	20,189
Expiry	-	-	-	(4,793)	-	-	-	-	(4,793)
Balance, 31 December 2016	<u>94</u>	<u>340,927</u>	<u>21,670</u>	<u>-</u>	<u>70,054</u>	<u>12,900</u>	<u>20,434</u>	<u>317,829</u>	<u>783,908</u>

Accumulated amortisation									
Balance, 1 January 2016	23	47,956	3,279	-	2,681	1,558	-	17,969	73,466
Amortisation	9	47,405	3,683	-	3,466	1,232	-	-	55,795
Translation	2	1,450	452	-	376	34	-	3,508	5,822
Balance, 31 December 2016	34	96,811	7,414	-	6,523	2,824	-	21,477	135,083
Carrying value									
Balance, 31 December 2016	60	244,116	14,256	-	63,531	10,076	20,434	296,352	648,825

## 12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following items:

	31 March 2017	31 December 2016
	(£000's)	(£000's)
Affiliate/marketing expenses payable	3,366	3,058
Payable to game suppliers	1,061	950
Compensation payable	2,353	2,989
Loyalty program payable	252	260
Professional fees	1,058	349
Gaming tax payable	531	526
Other	1,386	860
	10,007	8,992

## 13. Other Short-Term Payables

Other short-term payables consist of:

	31 March 2017	31 December 2016
	(£000's)	(£000's)
Transaction related payables	3,649	9,321
Current portion of other long-term payables (Note 16)	8,000	6,000
	11,649	15,321

## 14. Credit Facilities

On 8 April 2015, the Company entered into a credit agreement (as amended and restated from time to time, including on 27 October 2016 and 16 December 2016, the "Credit Agreement") in respect of: (i) a seven-year USD 335.0 million first-lien term loan credit facility (the "Term Loan"); and (ii) a USD 17.5 million revolving credit facility (the "Revolving Facility", and together with the Term Loan, the "Credit Facilities").

On 27 October 2016, the Credit Agreement was amended to, among other things, permit the plan of arrangement. On 16 December 2016, the Credit Agreement was further amended and restated to, among other things, establish a £53,276,000 incremental first lien term loan facility and the €20 million first lien term loan facility under the Credit Agreement (collectively, the "Incremental First Lien Facility" and together with the Credit Facilities, the "First Lien Facilities"), permit the incurrence of a £90 million second lien term loan facility (the "Second Lien Facility") pursuant to a second lien credit agreement (the "Second Lien Credit Agreement"), and permit the Jackpotjoy and Starspins contingent consideration pre-payment of £150 million.

Below is the breakdown of the First Lien Facilities and the Second Lien Facility:

	Term Loan	Incremental First Lien Facility	Second Lien Facility	Total
	(£000's)	(£000's)	(£000's)	(£000's)
Balance, 1 January 2016	207,158	-	-	207,158
Principal	-	70,000	90,000	160,000
Repayment	(26,906)	-	-	(26,906)
Transaction costs	-	(2,482)	(6,792)	(9,274)
Accretion <sup>1</sup>	1,868	16	35	1,919
Foreign exchange translation	37,896	-	-	37,896
Balance, 31 December 2016	220,016	67,534	83,243	370,793
Repayment	(6,296)	-	-	(6,296)
Accretion <sup>1</sup>	492	93	198	783
Foreign exchange translation	(3,780)	-	-	(3,780)
Balance, 31 March 2017	210,432	67,627	83,441	361,500
Current portion	26,270	-	-	26,270
Non-current portion	184,162	67,627	83,441	335,230

<sup>1</sup> Effective interest rates are as follows: Term Loan - 8.69%, Incremental First Lien Facility - 8.32%, Second Lien Facility - 11.75%.

## 15. Financial Instruments

The principal financial instruments used by the Company are summarised below:

### Financial assets

	Loans and receivables	
	31 March 2017	31 December 2016
	(£000's)	(£000's)
Cash and restricted cash	112,579	68,738
Trade and other receivables	16,472	16,763
Other long-term receivables	2,651	2,624
Customer deposits	8,296	8,573
	<u>139,998</u>	<u>96,698</u>

### Financial liabilities

	Financial liabilities at amortised cost	
	31 March 2017	31 December 2016
	(£000's)	(£000's)
Accounts payable and accrued liabilities	10,007	8,992
Other long-term liabilities	12,964	14,505
Other short-term payables	11,649	15,321
Interest payable	681	633
Payable to customers	8,296	8,573
Convertible debentures	1,188	3,266
Long-term debt	361,500	370,793
	<u>406,285</u>	<u>422,083</u>

The carrying values of the financial instruments noted above, with the exception of convertible debentures, approximate their fair values. The convertible debentures' fair value as at 31 March 2017 amounted to £2.1 million. Fair value was determined based on a quoted market price in an active market.

### Financial instruments

	Financial instruments recognised at fair value	
	through profit or loss - assets (liabilities)	
	31 March 2017	31 December 2016
	(£000's)	(£000's)
Cross currency swap	(813)	38,171
Contingent consideration	(135,146)	(120,187)
	<u>(135,959)</u>	<u>(82,016)</u>

### Fair value hierarchy

The hierarchy of the Company's financial instruments carried at fair value is as follows:

	Level 2		Level 3	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	(£000's)	(£000's)	(£000's)	(£000's)
Cross currency swap	(813)	38,171	-	-
Contingent consideration	-	-	(135,146)	(120,187)

Cross currency swap balance represents the fair value of cash inflows/(outflows) under the Currency Swap or the New Currency Swap, as applicable.

Contingent consideration represents the fair value of the cash outflows under earn-out agreements that would result from the performance of acquired businesses. The key inputs into the fair value estimation of these liabilities include the forecast performance of the underlying businesses, the probability of achieving forecasted results and the discount rate applied in deriving a present value from those forecasts. Significant increase (decrease) in the business' performance would result in a higher (lower) fair value of the contingent consideration, while significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the contingent consideration. Additionally, as earn-out periods draw closer to their completion, the range of probability factors will decrease.

A discounted cash flow valuation model was used to determine the value of the Jackpotjoy contingent consideration. The model considers the present value of the expected payments, discounted using a risk-adjusted discount rate. The expected payments are determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.

Without probability and discount factors, the fair value of the contingent consideration would be approximately 14% higher, than its value at 31 March 2017. This assumes that the financial performance of the Jackpotjoy operating segment remains in line with management's expectations.

As at 31 March 2017, the entire contingent consideration balance related to the Jackpotjoy earn-out.

The movement in Level 3 financial instruments is detailed below:

	(£000's)
Contingent consideration, 1 January 2016	209,625
Addition	-
Fair value adjustments	49,382



Payments	(156,308)
Accretion of discount	15,545
Foreign exchange translation	1,943
Contingent consideration, 31 December 2016	120,187
Fair value adjustments	12,856
Accretion of discount	2,103
Contingent consideration, 31 March 2017	135,146
Current portion	93,635
Non-current portion	41,511

## 16. Other Long-Term Payables

The Company is required to pay the Gamesys group £24.0 million in equal monthly instalments in arrears over the period from April 2017 to April 2020, for additional non-compete clauses that came into effect in April 2017 and that expire in March 2019. £8.0 million of this payable is included in current liabilities, with the discounted value of the remaining balance, being £13.0 million, included in other long-term payables.

## 17. Share Capital

As at 31 March 2017, Jackpotjoy plc's issued share capital consisted of 73,718,942 ordinary shares, each with a nominal value of £0.10. Jackpotjoy plc does not hold any shares in treasury and there are no shares in Jackpotjoy plc's issued share capital that do not represent capital.

The share capital movements presented below for periods prior to the date of completion of the plan of arrangement discussed in note 1 are presented as if each common share of Intertain had the same nominal value as the ordinary shares of Jackpotjoy plc.

	Ordinary shares	
	(£000's)	#
Balance, 1 January 2016	7,051	70,511,493
Conversion of convertible debentures, net of costs	185	1,853,667
Exercise of options	58	577,492
Exercise of warrants	4	40,625
Balance, 31 December 2016	7,298	72,983,277
Conversion of convertible debentures, net of costs	63	628,333
Exercise of options	11	107,332
Balance, 31 March 2017	7,372	73,718,942

### Ordinary shares

During the three months ended 31 March 2017, Jackpotjoy plc did not issue any additional ordinary shares.

### Convertible debentures

During the three months ended 31 March 2017 (and prior to completion of the plan of arrangement), debentures at undiscounted value of £2.3 million were converted into 628,333 common shares of Intertain.

### Share options

The share option plan (the "Share Option Plan") was approved by the Board of Directors on 5 September 2016. Upon completion of the plan of arrangement, all options over common shares of Intertain under Intertain's stock option plan were automatically exchanged for options of equivalent value over ordinary shares of Jackpotjoy plc on equivalent terms and subject to the same vesting conditions under Intertain's share option plan. The strike price of each grant has been converted from Canadian dollars to pound sterling at the foreign exchange rate of 0.606, being the exchange rate at the date of the plan of arrangement. Following the grant of the replacement options, no further options were, or will be, granted under the Share Option Plan.

During the three months ended 31 March 2017, nil stock options were granted, 107,332 stock options were exercised, 4,809 stock options were forfeited, and nil stock options expired.

### Share-based compensation expense

For the three months ended 31 March 2017, the Company recorded £0.5 million (2016- £0.3 million) in share-based compensation expense with a corresponding increase in share-based payment reserve.

## 18. Contingent Liabilities

### Indirect taxation

Jackpotjoy plc companies may be subject to indirect taxation on transactions that have been treated as exempt supplies of gambling, or on supplies that have been zero rated where legislation provides that the services are received or used and enjoyed in the country where the service provider is located. Revenues earned from customers located in any particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Company or on its financial position. Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Company, the contingency is not recognised as a liability at the balance sheet date. As at 31 March

2017, the Company had recognised £nil liability (31 December 2016- £nil) related to potential contingent indirect taxation liabilities.

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