Jackpotjoy plc

Management's Discussion and Analysis

[in pounds sterling, except where otherwise noted]

For the Three and Six Months Ended 30 June 2017

Management's Discussion and Analysis ("MD&A")

The following discussion and analysis provides a review of Jackpotjoy plc's results of operations, financial condition and cash flows for the three and six months ended 30 June 2017. This MD&A has been prepared with an effective date of 14 August 2017 and should be read in conjunction with the information contained in Jackpotjoy plc's unaudited interim condensed consolidated financial statements and related notes for the three and six months ended 30 June 2017 (the "Consolidated Financial Statements"), which were 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. The Consolidated Financial Statements and additional information regarding the business of the Group (as defined below) are available on SEDAR at www.sedar.com or on www.jackpotjoyplc.com/investors.

For reporting purposes, Jackpotjoy plc prepares the Consolidated Financial Statements in pounds sterling. Unless otherwise indicated, all "GBP" or "£" amounts in this MD&A are expressed in British pounds sterling. References to "€" or "EUR" are to European euros, references to "USD" are to U.S. dollars and references to "CAD" or "$" are to Canadian dollars.

The financial information contained in this MD&A has been prepared under the merger method of accounting as a continuation of the business of The Intertain Group Limited ("Intertain") and its subsidiaries to reflect the Arrangement (as defined below). This method is commonly applied in such situations as the accounting for such transactions is not prescribed by IFRS 3 - *Business Combinations* or other applicable IFRS which instead prompts IFRS-reporting entities to look to alternative GAAP for guidance. The result of the application is to present the financial information 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.

All references to "we", "our", and the "Group" refer to Jackpotjoy plc, together with its subsidiaries and consolidated operations controlled by it and its predecessors.

Based on Jackpotjoy plc's Audit and Risk Committee's review and recommendation, the Jackpotjoy plc board of directors (the "Board of Directors") has approved this MD&A and the Consolidated Financial Statements for release.

About Jackpotjoy plc

Jackpotjoy plc is an online gaming holding company and the parent company of Intertain. Jackpotjoy plc was incorporated pursuant to the *Companies Act 2006* (England and Wales) on 29 July 2016.

The Group 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 Group's B2B software and support provider. The Vera&John and InterCasino brands operate off proprietary software owned by the Group. The Mandalay segment's bingo offerings operate off the Dragonfish platform, a software service provided by the 888 group. Additionally, the Group receives fees for marketing services provided by its affiliate portal business.

Corporate Developments

For the six months ended 30 June 2017

On 25 January 2017, Jackpotjoy plc became the parent company of Intertain following a plan of arrangement transaction (the "Arrangement") involving a one-for-one share exchange of all the then outstanding common shares of Intertain for ordinary shares of Jackpotjoy plc. Additionally, Jackpotjoy plc was admitted to the standard listing segment of the Official List of the UK's Financial Conduct Authority and began trading on the London Stock Exchange's main market for listed securities (the "LSE Listing"), under the ticker symbol "JPJ". Intertain's common shares were de-listed from the Toronto Stock Exchange (the "TSX") and exchangeable shares that were issued by Intertain pursuant to the Arrangement began trading on the TSX under the ticker symbol "ITX".

On 21 June 2017, Jackpotjoy plc made the final earn-out payment for the non-Spanish assets within the Jackpotjoy segment. This final payment amounted to £94.2 million and was met by existing cash resources. The payment is the final instalment in relation to the Jackpotjoy and Starspins brands and also includes £30.3 million due on the earn-out for the Botemania brand. A final payment in relation to the Botemania brand, which is also expected to be met from cash resources, will be made in June 2018.

Outlook

The trading momentum witnessed during Q1 and which continued during Q2 and the early stages of Q3, helped to deliver a solid performance across the Group. We continue to expect robust top-line growth through H2.

As previously flagged, there will be an impact on profitability in the second half from the introduction of UK point-of-consumption ("POC") tax on bonuses scheduled to commence in August 2017. Likewise, and also as previously highlighted, marketing spend will be weighted towards the second half of the financial year.

Selected financial information

	Three month period ended 30 June 2017 (£000's)	Three month period ended 30 June 2016 (£000's)	**Six month period ended 30 June 2017 (£000's)**	Six month period ended 30 June 2016 (£000's)
Total revenue and other income	**75,193**	64,278	**146,569**	129,690
Net Loss	**(4,772)**	(14,873)	**(20,073)**	(9,806)
Basic Net Loss per share	**£(0.06)**	£(0.21)	**£(0.27)**	£(0.14)
Diluted Net Loss per share	**£(0.06)**	£(0.21)	**£(0.27)**	£(0.14)

Comparison of the three and six months ended 30 June 2017 and 2016

Net Loss

The Group's lower net loss of £4.8 million during the three months ended 30 June 2017 compared to a net loss of £14.9 million in the same period in the prior year can be primarily attributed to higher revenues (Q2 2017 - £75.2 million and Q2 2016 - £64.3 million), lower fair value adjustments on contingent consideration (Q2 2017 - £1.8 million and Q2 2016 - £17.3 million), and lower transaction costs in the period (Q2 2017 - £nil and Q2 2016 – £4.9 million). This was slightly offset by increased total interest expense (Q2 2017 - £11.4 million and Q2 2016 - £8.4 million) due to debt obtained in Q4 2016, an increase in the foreign

exchange loss (Q2 2017 – £4.8 million and Q2 2016 – £2.0 million), and a decrease in unrealised gain on cross currency swap (Q2 2017 - £nil and Q2 2016 - £14.2 million).

The Group's net loss of £20.1 million during the six months ended 30 June 2017 compared to a net loss of £9.8 million in the same period in the prior year can be primarily attributed to increased total interest expense (YTD 2017 - £22.7 million and YTD 2016 - £16.8 million) due to debt obtained in Q4 2016, an increase in the foreign exchange loss (YTD 2017 – £6.9 million and YTD 2016 – £2.5 million), and a realised loss on the cross currency swap of £3.5 million (YTD 2017) compared to an unrealised gain of £18.3 million (YTD 2016). This was slightly offset by higher revenues (YTD 2017 - £146.6 million and YTD 2016 - £129.7 million), and lower fair value adjustments on contingent consideration (YTD 2017 - £14.7 million and YTD 2016 - £19.0 million).

Total revenue and other income

The Group's revenues during the three months ended 30 June 2017 consisted of:

- £52.3 million in revenue earned from Jackpotjoy's operational activities.
- £17.4 million in revenue earned from Vera&John's operational activities.
- £5.5 million in revenue earned from Mandalay's operational activities.

The Group's revenues during the three months ended 30 June 2016 consisted of:

- £44.5 million in revenue earned from Jackpotjoy's operational activities.
- £13.4 million in revenue earned from Vera&John's operational activities.
- £5.5 million in revenue earned from Mandalay's operational activities.
- £0.9 million in other income related to the InterCasino platform migration from Amaya Inc. (the "Platform Migration Revenue") included in the Vera&John operating segment.

The increase in revenue for the three months ended 30 June 2017 in comparison with the three months ended 30 June 2016 relates primarily to organic growth of the Vera&John and Jackpotjoy segments, where revenue increased by 30% and 18%, respectively.

The Group's revenues during the six months ended 30 June 2017 consisted of:

- £103.0 million in revenue earned from Jackpotjoy's operational activities.
- £33.1 million in revenue earned from Vera&John's operational activities.
- £10.5 million in revenue earned from Mandalay's operational activities.

The Group's revenues during the six months ended 30 June 2016 consisted of:

- £89.0 million in revenue earned from Jackpotjoy's operational activities.
- £27.3 million in revenue earned from Vera&John's operational activities.
- £11.3 million in revenue earned from Mandalay's operational activities.
- £2.1 million in other income earned from the revenue guarantee (the "Revenue Guarantee") relating to the service agreement entered into with Amaya Inc. and Platform Migration Revenue included in the Vera&John operating segment.

The increase in revenue for the six months ended 30 June 2017 in comparison with the six months ended 30 June 2016 relates primarily to organic growth of the Vera&John and Jackpotjoy segments, where revenue increased by 21% and 16%, respectively.

Costs and expenses

	Three month period ended 30 June 2017 (£000's)	Three month period ended 30 June 2016 (£000's)	**Six month period ended 30 June 2017 (£000's)**	Six month period ended 30 June 2016 (£000's)
Expenses:				
Distribution costs	**34,302**	32,293	**65,546**	62,151
Administration costs	**27,664**	22,884	**52,877**	45,361
Transaction related costs	—	4,866	**1,315**	6,164
Severance costs	—	5,695	—	5,695
	61,966	65,738	**119,738**	119,371

Distribution costs

	Three month period ended 30 June 2017 (£000's)	Three month period ended 30 June 2016 (£000's)	**Six month period ended 30 June 2017 (£000's)**	Six month period ended 30 June 2016 (£000's)
Selling and marketing	**10,846**	12,334	**20,449**	21,566
Licensing fees	**11,826**	10,170	**22,912**	20,638
Gaming taxes	**8,469**	7,048	**16,461**	14,164
Processing fees	**3,161**	2,741	**5,724**	5,783
	34,302	32,293	**65,546**	62,151

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 POC tax, which is a 15% tax on Real Money Gaming Revenue (as defined in the "Key performance indicators" sub-section of this MD&A) 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 and six months ended 30 June 2017 compared to the same periods in 2016 is mainly due to higher revenues achieved, slightly offset by lower selling and marketing costs.

Administrative costs

	Three month period ended 30 June 2017 (£000's)	Three month period ended 30 June 2016 (£000's)	**Six month period ended 30 June 2017 (£000's)**	Six month period ended 30 June 2016 (£000's)
Compensation and benefits	**8,016**	6,916	**16,091**	12,801
Professional fees	**797**	525	**2,005**	2,818
General and administrative	**2,440**	1,314	**4,621**	2,636
Amortisation and depreciation	**16,411**	14,129	**30,160**	27,106
	27,664	22,884	**52,877**	45,361

Compensation and benefits costs consist of salaries, wages, bonuses, directors' fees, benefits and share-based compensation expense. The increase in costs for the three and six months ended 30 June 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 mainly of legal, accounting and audit fees.

The variance in professional fees for the three and six months ended 30 June 2017 compared to the same periods in 2016 relates to increases in consulting and legal costs associated with the Group's growth and dual listings on both the LSE and TSX. These increases were largely offset as prior year balances included one-time costs related to the Independent Committee.

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 and six months ended 30 June 2017 compared to the same period in the prior year can be attributed to slightly higher travel, rent and overhead costs due to staff additions.

Amortisation and depreciation consists of amortisation of the Group's tangible and intangible assets over their useful lives. The increase in amortisation for both the three and six months ended 30 June 2017 is due to intangible and tangible asset additions since Q1 2016, particularly the non-compete clauses (as defined below).

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 Intertain board of directors and implementing Intertain's UK-centered strategic initiatives.

For a further discussion of the variances on a segment basis, please refer to the information under the "Summary of Results by Segment – Results by Segment" section of this MD&A.

Non-IFRS financial measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide additional useful information regarding ongoing operating and financial performance. Readers are cautioned that the definitions are not recognised measures under IFRS, do not have standardised 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. Our method of calculating these measures may differ from the method used by other entities. Accordingly, our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions. For details regarding the reconciliations from these non-IFRS measures, refer to the information under the *"Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the three and six months ended 30 June 2017 and 2016"* and *"Summary of results by segment – Results by segment"* sections of this MD&A.

- 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 and non-compete clauses, share-based compensation, Independent Committee related expenses, severance costs, 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 and non-compete clauses, Independent Committee related expenses, severance costs, 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 and depreciation, share-based compensation, Independent Committee related expenses, severance costs, 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, severance costs, 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.

- Diluted Adjusted Net Income per share, as defined by the Group, means Adjusted Net Income divided by the diluted weighted average number of shares outstanding, calculated using the IFRS treasury method, for the applicable period. Management believes that Diluted Adjusted Net Income per share assists with the Group's ability to analyse Adjusted Net Income on a diluted weighted average per share basis.

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.

Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the three and six months ended 30 June 2017 and 2016

The following table highlights Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the three and six months ended 30 June 2017 and 2016 and a reconciliation of the Group's reported results to its adjusted measures.

	Three month period ended 30 June 2017 (£000's)	Three month period ended 30 June 2016 (£000's)	**Six month period ended 30 June 2017 (£000's)**	Six month period ended 30 June 2016 (£000's)
Net Loss for the period	**(4,772)**	(14,873)	**(20,073)**	(9,806)
Interest expense, net	**11,325**	8,360	**22,623**	16,709
Taxes	**63**	13	**149**	212
Amortisation and depreciation	**16,411**	14,129	**30,160**	27,106
EBITDA	**23,027**	7,629	**32,859**	34,221
Share-based compensation	**353**	248	**878**	546
Severance costs	**—**	5,695	**—**	5,695
Fair value adjustment on contingent consideration	**1,845**	17,277	**14,701**	18,950
Gain on sale of intangible assets	**—**	—	**(1,002)**	—
Independent Committee related expenses	**—**	—	**—**	1,693
(Gain)/loss on cross currency swap	**—**	(14,231)	**3,534**	(18,261)
Transaction related costs	**—**	4,866	**1,315**	6,164
Foreign exchange	**4,766**	1,994	**6,899**	2,515
Adjusted EBITDA	**29,991**	23,478	**59,184**	51,523
Net Loss for the period	**(4,772)**	(14,873)	**(20,073)**	(9,806)
Share-based compensation	**353**	248	**878**	546
Severance costs	**—**	5,695	**—**	5,695
Fair value adjustment on contingent consideration	**1,845**	17,277	**14,701**	18,950
Gain on sale of intangible assets	**—**	—	**(1,002)**	—
Independent Committee related expenses	**—**	—	**—**	1,693
(Gain)/loss on cross currency swap	**—**	(14,231)	**3,534**	(18,261)
Transaction related costs	**—**	4,866	**1,315**	6,164
Foreign exchange	**4,766**	1,994	**6,899**	2,515
Amortisation of acquisition related purchase price intangibles and non-compete clauses	**15,942**	14,004	**29,332**	26,877
Accretion	**3,662**	4,159	**7,051**	8,195
Adjusted Net Income	**21,796**	19,139	**42,635**	42,568
Diluted Net Loss per share	**£(0.06)**	£(0.21)	**£(0.27)**	£(0.14)
Diluted Adjusted Net Income per share	**£0.29**	£0.26	**£0.57**	£0.58

Summary of results by segment

Results by segment

On 13 April 2016, the InterCasino brand migrated to the Group's proprietary Plain Gaming platform. In conjunction with this operational change, the Group reassessed management and reporting for the combined segment and concluded that the InterCasino segment should be aggregated with the Vera&John segment.

The Jackpotjoy segment consists of the real money and social gaming operating results of the Jackpotjoy, Starspins and Botemania brands. The Vera&John segment consists of the online casino operating results of various brands, including Vera&John and InterCasino. The Mandalay segment consists of the operating results of various online bingo websites operated off the Dragonfish platform and the operating results of affiliate portal websites.

Three months ended 30 June 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Revenue and other income	**52,332**	**17,412**	**5,449**	**—**	**75,193**
Net Income/(Loss) for the period	**12,750**	**2,216**	**807**	**(20,545)**	**(4,772)**
Interest expense, net	—	(53)	1	11,377	11,325
Taxes	—	63	—	—	63
Amortisation and depreciation	12,244	2,465	1,608	94	16,411
EBITDA	**24,994**	**4,691**	**2,416**	**(9,074)**	**23,027**
Share-based compensation	—	—	—	353	353
Fair value adjustment on contingent consideration	—	—	—	1,845	1,845
Foreign exchange	(78)	419	11	4,414	4,766
Adjusted EBITDA	**24,916**	**5,110**	**2,427**	**(2,462)**	**29,991**

(1) Unallocated corporate costs generally include the results from activities such as acquisition negotiations, acquisition due diligence, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of Jackpotjoy plc and Intertain.

Three months ended 30 June 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Revenue and other income	**44,531**	**14,300**	**5,447**	**—**	**64,278**
Net Income/(Loss) for the period	**8,194**	**2,618**	**6**	**(25,691)**	**(14,873)**
Interest expense, net	—	(21)	1	8,380	8,360
Taxes	—	13	—	—	13
Amortisation and depreciation	10,428	2,117	1,581	3	14,129
EBITDA	**18,622**	**4,727**	**1,588**	**(17,308)**	**7,629**
Share-based compensation	—	—	—	248	248
Severance costs	—	—	—	5,695	5,695
Fair value adjustment on contingent consideration	—	—	—	17,277	17,277
Gain on cross currency swap	—	—	—	(14,231)	(14,231)
Transaction related costs	—	361	—	4,505	4,866
Foreign exchange	(184)	(44)	(37)	2,259	1,994
Adjusted EBITDA	**18,438**	**5,044**	**1,551**	**(1,555)**	**23,478**

(1) Unallocated corporate costs generally include the results from activities such as acquisition negotiations, acquisition due diligence, the UK strategic review, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of Jackpotjoy plc and Intertain.

Six months ended 30 June 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Revenue and other income	**102,998**	**33,103**	**10,468**	**—**	**146,569**
Net Income/(Loss) for the period	**29,040**	**5,122**	**938**	**(55,173)**	**(20,073)**
Interest expense, net	—	(87)	2	22,708	22,623
Taxes	—	149	—	—	149
Amortisation and depreciation	21,934	4,833	3,201	192	30,160
EBITDA	**50,974**	**10,017**	**4,141**	**(32,273)**	**32,859**
Share-based compensation	—	—	—	878	878
Fair value adjustment on contingent consideration	—	—	—	14,701	14,701
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	(96)	478	9	6,508	6,899
Adjusted EBITDA	**50,878**	**9,493**	**4,150**	**(5,337)**	**59,184**

(1) Unallocated corporate costs generally include the results from activities such as acquisition negotiations, acquisition due diligence, the UK strategic review, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of Jackpotjoy plc and Intertain.

Six months ended 30 June 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Revenue and other income	**88,987**	**29,435**	**11,268**	**—**	**129,690**
Net Income/(Loss) for the period	**20,280**	**5,510**	**915**	**(36,511)**	**(9,806)**
Interest expense, net	—	(43)	3	16,749	16,709
Taxes	—	212	—	—	212
Amortisation and depreciation	20,484	3,870	2,743	9	27,106
EBITDA	**40,764**	**9,549**	**3,661**	**(19,753)**	**34,221**
Share-based compensation	—	—	—	546	546
Severance costs	—	—	—	5,695	5,695
Independent Committee related expenses	—	—	—	1,693	1,693
Fair value adjustment on contingent consideration	—	—	—	18,950	18,950
Gain on cross currency swap	—	—	—	(18,261)	(18,261)
Transaction related costs	—	442	—	5,722	6,164
Foreign exchange	(333)	293	(68)	2,623	2,515
Adjusted EBITDA	**40,431**	**10,284**	**3,593**	**(2,785)**	**51,523**

(1) Unallocated corporate costs generally include the results from activities such as acquisition negotiations, acquisition due diligence, the UK strategic review, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of Jackpotjoy plc and Intertain.

Comparison and discussion of the three and six months ended 30 June 2017 to the same period in 2016

Jackpotjoy

	Q2 2017 £(millions)	Q2 2016 £(millions)	Variance £(millions)	Variance %
Revenue	**52.3**	44.5	7.8	18%
Distribution costs	**23.3**	22.1	1.2	5%
Administration costs	**4.1**	4.0	0.1	3%
Adjusted EBITDA	**24.9**	18.4	6.5	35%

	YTD 2017 £(millions)	YTD 2016 £(millions)	Variance £(millions)	Variance %
Revenue	**103.0**	89.0	14.0	16%
Distribution costs	**43.8**	40.9	2.9	7%
Administration costs	**8.3**	7.7	0.6	8%
Adjusted EBITDA	**50.9**	40.4	10.5	26%

Revenue for the Jackpotjoy segment increased quarter over quarter and year over year due to organic growth in all real money brands. Jackpotjoy UK Real Money Gaming Revenue accounted for 67% of the Jackpotjoy segment's revenue for the three and six months ended 30 June 2017. While there has been steady growth at Jackpotjoy UK and Jackpotjoy Sweden, the sharp increase in revenue is due to the substantial growth and progression of the Starspins and Botemania brands. Collectively, they accounted for 21% and 20% of the segment's revenue, for the three and six months ended 30 June 2017.

Selling and marketing costs were substantially lower in both the three and six months ended 30 June 2017 compared to the same periods in 2016, partially offsetting an increase in other distribution costs that move in line with revenues.

Vera&John

	Q2 2017 £(millions)	Q2 2016 £(millions)	Variance £(millions)	Variance %
Revenue*	**17.4**	13.4	4.0	30%
Distribution costs	**8.3**	6.5	1.8	28%
Administration costs	**4.0**	2.7	1.3	48%
Adjusted EBITDA*	**5.1**	4.2	0.9	21%

**Excludes £0.9 million of other income earned from Platform Migration Revenue in Q2 2016.*

	YTD 2017 £(millions)	YTD 2016 £(millions)	Variance £(millions)	Variance %
Revenue**	**33.1**	27.3	5.8	21%
Distribution costs	**15.9**	13.9	2.0	14%
Administration costs	**7.7**	5.1	2.6	51%
Adjusted EBITDA**	**9.5**	8.3	1.2	14%

***Excludes £2.1 million of other income earned from the Revenue Guarantee and from Platform Migration Revenue in 2016.*

Revenue for the Vera&John segment in Q2 2017 increased by 30% compared to Q2 2016, which is due to organic growth in the segment and differences in the GBP to EUR exchange rates in those periods. Distribution costs also increased by 28% in Q2 2017 compared to Q2 2016, as game suppliers and payment providers' costs usually change proportionally with revenue. Selling and marketing costs do not move with revenues; however, these costs also increased by 43%.

Revenue for the six months ended 30 June 2017 was 21% higher than in the comparative period; however, distribution costs were only 14% higher as processing costs have been substantially lower in 2017 even with higher revenues, due to targeted efforts in 2017 to streamline payment processing procedures and costs.

Increases in administration costs for both the three and six months ended 30 June 2017 compared to the same periods in 2016 were mainly driven by increases in personnel and office related costs as the segment continues to grow.

Mandalay

	Q2 2017 £(millions)	Q2 2016 £(millions)	Variance £(millions)	Variance %
Revenue	**5.5**	5.5	—	—
Distribution costs	**2.8**	3.6	(0.8)	(22%)
Administration costs	**0.3**	0.3	—	—
Adjusted EBITDA	**2.4**	1.6	0.8	50%

	YTD 2017 £(millions)	YTD 2016 £(millions)	Variance £(millions)	Variance %
Revenue	**10.5**	11.3	(0.8)	(7%)
Distribution costs	**5.8**	7.1	(1.3)	(18%)
Administration costs	**0.6**	0.6	—	—
Adjusted EBITDA	**4.1**	3.6	0.5	14%

Revenue for the Mandalay segment for the three months ended 30 June 2017 was flat against the prior period in 2016 but due to lower marketing spend the Adjusted EBITDA was substantially higher.

Revenue for the six months ended 30 June 2017 was 7% lower than in the same period in 2016. This is due to the Q1 2017 results, as the segment focused on changing promotional spend to improve operational margins and deposit hold in future periods. Q2 2017 revenue has rebounded due to these measures. Due to lower sales and marketing costs, Adjusted EBITDA was 14% higher than in six months ended 30 June 2016.

Unallocated Corporate Costs

Unallocated corporate costs increased from £1.6 million to £2.5 million in the three months ended 30 June 2017 as compared to the three months ended 30 June 2016. The variance mainly relates to a £0.3 million increase in compensation due to the addition of new staff, a £0.3 million increase in general and administrative overhead costs, and a £0.3 million increase in professional fees.

Unallocated corporate costs increased from £2.8 million to £5.3 million in the six months ended 30 June 2017 as compared to the six months ended 30 June 2016. The variance mainly relates to a £0.9 million increase in compensation due to addition of new staff, a £0.7 million increase in general and administrative overhead costs, a £1.0 million increase in professional fees, which were minimally offset by a £0.1 million decrease in marketing costs.

Key Performance Indicators

	Twelve months ended 30 June 2017	Twelve months ended 30 June 2016	Variance	Variance %
Average Active Customers per month (#)	**243,896**	216,220	27,676	13%
Total Real Money Gaming Revenue (£000) (1)	**261,707**	225,691	36,016	16%
Average Real Money Gaming Revenue per month (£000)	**21,809**	18,808	3,001	16%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	**89**	87	2	2%

(1) Total Real Money Gaming Revenue for the twelve months ended 30 June 2017 consists of total revenue less other income earned from the Revenue Guarantee and Platform Migration Revenue of £nil (30 June 2016 - £5.4 million) and revenue earned from affiliate websites and social gaming revenue of £24.2 million (30 June 2016 - £24.0 million).

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.

Historical results by quarter

	3 months ended 30 June 2017 (£000's)	3 months ended 31 March 2017 (£000's)	3 months ended 31 December 2016 (£000's)	3 months ended 30 September 2016 (£000's)
Total revenue and other income	**75,193**	71,376	72,986	66,368
Net Loss	**(4,772)**	(15,301)	(12,264)	(18,579)
Basic Loss per share	**£(0.06)**	£(0.21)	£(0.17)	£(0.26)
Diluted Loss per share	**£(0.06)**	£(0.21)	£(0.17)	£(0.26)

	3 months ended 30 June 2016 (£000's)	3 months ended 31 March 2016 (£000's)	3 months ended 31 December 2015 (£000's)	3 months ended 30 September 2015 (£000's)
Total revenue and other income	64,278	65,412	65,148	60,285
Net (Loss)/Income	(14,873)	5,067	(66,354)	(8,631)
Basic (Loss)/Income per share	£(0.21)	£0.07	£(0.93)	£(0.12)
Diluted (Loss)/Income per share	£(0.21)	£0.07	£(0.93)	£(0.12)

The general upward trend in revenue from Q3 2015 to Q2 2017 is driven by organic growth in the Jackpotjoy and Vera&John segments. The quarter ended 30 September 2015 is the first quarter that includes a full three months' worth of results of all acquisitions completed to date. Revenue is susceptible to various risk factors that can cause fluctuations from quarter to quarter as noted in Jackpotjoy plc's annual information form dated 29 March 2017 (the "AIF"), available under Jackpotjoy plc's profile on SEDAR at www.sedar.com.

The movement in net (loss)/income from quarter to quarter largely relates to transaction related costs, impairment charges, fair value adjustments on contingent consideration, and the amortisation of intangible

assets. The significant increase in net loss in Q4 2015 was mainly a result of non-operational expenses, goodwill impairment of £18.1 million and fair value adjustment on contingent consideration of £56.3 million.

Revenue between Q1 2016 and Q2 2016 was relatively flat. Variances experienced in net (loss)/income from Q1 2016 to Q2 2016 largely relate to the following non-operational items: fair value adjustments on contingent consideration (Q1 2016 - £1.7 million, Q2 2016 - £17.3 million), unrealised gains on cross currency swap (Q1 2016 - £4.0 million, Q2 2016 - £14.2 million) and severance costs (Q1 2016 - £nil, Q2 2016 - £5.7 million).

The increase in revenue between Q2 2016 and Q3 2016 relates to growth in the Jackpotjoy brands as well as fluctuations in the £/€ conversion rate. Variances experienced in net loss from Q2 2016 to Q3 2016 largely relate to increased transaction costs incurred for the UK strategic review process, as well as a smaller unrealised gain on cross currency swap (Q2 2016 – £14.2 million, Q3 2016 – £5.7 million). This was partially offset with a smaller fair value adjustment on the contingent consideration (Q2 2016 – £17.3 million, Q3 2016 – £14.5 million).

The increase in revenue between Q3 2016 and Q4 2016 primarily relates to higher revenues for both the Jackpotjoy and Vera&John segments. The decrease in the net loss in Q4 2016 is due to a larger gain on the cross-currency swap (Q3 2016 – £5.7 million, Q4 2016 – £10.1 million), increased revenues, and lower transactions costs (Q3 2016 – £10.4 million, Q4 2016 – £6.2 million).

The slight decrease in revenue between Q4 2016 and Q1 2017 is primarily due to record revenue achieved by the Jackpotjoy segment in Q4 2016, as the Q4 period historically has been the best period for the segment due to seasonal factors. The net loss for the Q1 2017 period is higher than in Q4 2016 due to a loss on the cross currency swap (Q1 2017- £3.5 million) compared to a gain in the prior quarter (Q4 2016 – £10.1 million). This variance was slightly offset by lower transaction costs (Q4 2016 – £6.2 million, Q1 2017 – £1.3 million).

The increase in revenue between Q1 2017 and Q2 2017 is due to stronger results across all segments, specifically Vera&John, which saw revenues grow by 11% compared to Q1 2017. The net loss for Q2 2017 is lower than in Q1 2017, primarily due to a lower fair value adjustment on contingent consideration (Q2 2017 - £1.8 million, Q1 2017 - £12.9 million).

Financial condition

	As at 30 June 2017 (£000's)	As at 31 December 2016 (£000's)	Variance (£000's)
Total current assets	**61,099**	139,077	(77,978)
Total non-current assets	**624,073**	652,301	(28,228)
Total assets	**685,172**	791,378	(106,206)
Total current liabilities	**100,747**	154,860	(54,113)
Total non-current financial liabilities	**347,694**	397,050	(49,356)
Total liabilities	**448,441**	551,910	(103,469)

The £33.3 million decrease in current assets (excluding the cash and restricted cash decrease of £44.7 million) since 31 December 2016, largely relates to a £38.2 million decrease in the current portion of the cross currency swap as one cross currency swap terminated on 28 March 2017.

These decreases were partially offset by the following:

- £4.1 million increase in taxes receivable.
- £0.4 million in customer deposits.
- £0.4 million in trade and other receivables.

The decrease in non-current assets of £28.2 million since 31 December 2016 mainly relates to the amortisation of intangible and tangible assets of £30.2 million, slightly offset by the additions of software development and tangible assets of £2.0 million.

The decrease in current liabilities of £54.1 million since 31 December 2016 largely relates to the following:

- the decrease in contingent consideration of £48.1 million due to the payment of the earn-out for the non-Spanish assets within the Jackpoytjoy segment, slightly offset by accretion and fair value adjustments.
- a decrease of £2.5 million in provision for taxes, due to a £6.9 million tax payment made in the period, partially offset by an additional provision for taxes recorded in the year.
- a decrease of £1.4 million in the current portion of long term debt, related to foreign exchange movements on USD debt.
- a decrease of £3.5 million in other short-term payables mainly driven by settlement of transaction related payables.

These decreases were partially offset by the following:

- an increase of £0.7 million in accounts payable.
- a £0.4 million increase in payable to customers.
- an increase of £0.3 million in the current portion of cross currency swap payable.

The decrease in non-current liabilities of £49.4 million is largely related to the decrease in contingent consideration of £26.9 million due to the earn-out payment for the non-Spanish assets of the Jackpotjoy segment, slightly offset by fair value adjustments and accretion. The non-current liabilities were further decreased by £21.1 million due to principal payments made and the foreign exchange fluctuations on long term debt, a £2.3 million decrease in convertible debentures due to certain conversions, a £3.1 million decrease in other long-term payables due to the reallocation of a portion of certain non-compete covenants from Gamesys (the "non-compete clauses") from long-term to short-term, and a £0.5 million decrease in the deferred tax liability. These decreases were partially offset by a £4.5 million increase in cross currency swap payable.

Cash flow by activity

	Three month period ended 30 June 2017 (£000's)	Three month period ended 30 June 2016 (£000's)	**Six month period ended 30 June 2017 (£000's)**	Six month period ended 30 June 2016 (£000's)
Operating activity	**22,291**	18,373	**45,613**	44,948
Financing activity	**(109,457)**	(18,367)	**(88,646)**	(28,331)
Investing activity	**(965)**	(479)	**(1,023)**	(832)

Operating activity

Cash provided by operating activities during the three and six months ended 30 June 2017 relates to cash generated from the operational activities of the Jackpotjoy, Vera&John, and Mandalay segments. For the three and six months ended 30 June 2017, the operating cash flow increased compared to the same periods in 2016 due to higher revenues.

Financing activity

Cash used in financing activities for the three months ended 30 June 2017 relates mainly to the following transactions:

- £94.2 million payment related to the earn-out for the non-Spanish assets within the Jackpotjoy segment.
- £7.7 million in interest payments.
- £6.5 million in principal debt payments.
- £1.3 million in payments related to the non-compete clauses.

This was slightly offset by £0.1 million from the exercise of options and £0.2 million from the release of restricted cash.

Cash used in financing activities for the six months ended 30 June 2017 relates mainly to the following transactions:

- £94.2 million payment related to the earn-out for the non-Spanish assets within the Jackpotjoy segment.
- £15.2 million in interest payments.
- £12.8 million in principal debt payments.
- £1.3 million in payments related to the non-compete clauses.

This was slightly offset by £34.4 million in proceeds from the cross currency swap settlement, £0.4 million in proceeds from the exercise of options, and £0.2 million from the release of restricted cash.

Investing activity

Cash used in investing activities was £1.0 million for both the three and six months ended 30 June 2017. This relates to the purchase of tangible assets as well as internally generated intangible assets of £1.0 million and £2.0 million, respectively. For the six months ended 30 June 2017, this was partially offset by the proceeds from the sale of intangible assets of £1.0 million.

Liquidity and Capital Resources

The Group requires capital and liquidity to fund existing and future operations and future cash payments. The Group's policy is to maintain sufficient capital levels to fund the Group's financial position and meet future commitments and obligations in a cost effective manner.

Liquidity risk arises from the Group's ability to meet its financial obligations as they become due. The following table summarises the Group's undiscounted financial and other liabilities as at 30 June 2017:

	On demand	Less than 1 year	1-2 years	3-4 years	5 years and over
	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Accounts payable and accrued liabilities	9,699	—	—	—	—
Other short term payables	3,112	8,667	—	—	—
Payable to customers	8,979	—	—	—	—
Interest payable	—	638	—	—	—
Contingent consideration	—	41,259	7,500	—	—
Convertible debentures	—	—	1,028	—	—
Long-term debt	—	25,318	50,637	198,010	90,000
Other long-term liabilities	—	—	14,000	—	—
	21,790	75,882	73,165	198,010	90,000

The Group manages liquidity risk by monitoring actual and forecasted cash flows in comparison with the maturity profiles of financial assets and liabilities. The Group does not anticipate fluctuations in its financial obligations (with the exception of the Jackpotjoy earn-out payment, as it is dependent on the future performance of the Jackpotjoy segment), as they largely stem from the repayment of amortisation and interest payments related to the First Lien Facilities (as defined below) and the Second Lien Facility (as defined below). Management believes that the cash generated from the Group's operating segments is sufficient to fund the working capital and capital expenditure needs of each operating segment in the short and long term, assuming there are no significant adverse changes in the markets in which the Group operates. The Group is actively managing its capital resources to ensure sufficient resources will be in place when the Jackpotjoy earn-out payment, First Lien Facilities and Second Lien Facility amortisation payments and interest repayments become due.

Other than as described below, in accordance with the terms of the Jackpotjoy earn-out payment, until the debt under the First Lien Facilities or the Second Lien Facility has been paid or becomes payable, whichever is the earlier, Gamesys cannot enforce Intertain's obligation to pay any portion of the earn-out when such payments are due. However, to the extent that Intertain does not pay any portion of the earn-out when due, Intertain will be required to pay interest on any unpaid earn-out payment at a rate equal to 30 day LIBOR plus 110 basis points ("bps") for the first 6 months, 30 day LIBOR plus 160 bps for balances of any unpaid earn-out payment outstanding for greater than 6 months, and 30 day LIBOR plus 200 bps for balances of any unpaid earn-out payment outstanding for greater than 12 months.

Notwithstanding the foregoing, Gamesys may take steps to realise any portion of the unpaid earn-out payment from Intertain during the standstill period described above, if: (a) Intertain's total leverage ratio (as calculated pursuant to the Credit Agreement) is less than or equal to 4.00 to 1 on a pro forma basis, and (b) no default or event of default is continuing or would result from such a payment, under the Credit Agreement (as defined below), or the Second Lien Credit Agreement (as defined below).

As at 30 June 2017, the Group believes it will be able to fund remaining obligations under the Jackpotjoy earn-out payment through internally generated cash. Subject to meeting certain financial covenants, the Group may have the ability to draw on the USD 17.5 million Revolving Facility (as defined below) as a further capital resource.

Long-term incentive plan

On 24 May 2017, Jackpotjoy plc granted awards over ordinary shares under the Group's long term incentive plan ("LTIP"). The awards (i) will vest on the date on which the Board of Directors determines the extent to which the performance condition (as described below) has been satisfied, and (ii) are subject to a holding period of two years beginning on the vesting date, following the end of which they will be released so that the shares can be acquired.

The performance condition as it applies to 50% of each award is based on the Group's total shareholder return compared with the total shareholder return of the companies constituting the FTSE 250 index (excluding investment trusts and financial services companies) over approximately three years commencing on 25 January 2017 (the "TSR Tranche"). The performance condition as it applies to the remaining 50% of the award is based on the Group's earnings per share ("EPS") in the last financial year of that performance period (the "EPS Tranche") and vests as to 25% if final year EPS is 133.5 pence, between 25% and 100% (on a straight line basis) if final year EPS is more than 133.5 pence but less than 160 pence, and 100% if final year EPS is 160 pence or more.

Each award under the LTIP is equity-settled and LTIP compensation expense is based on the award's estimated fair value. The fair value has been estimated using the Black-Scholes model for the EPS Tranche and the Monte Carlo model for the TSR Tranche.

During the three and six months ended 30 June 2017, the Group recorded £0.01 million (2016 – £nil) in LTIP compensation expense with a corresponding increase in share-based payment reserve.

Convertible debentures

On 19 December 2013, Intertain completed a convertible debenture private placement consisting of 17,500 convertible debenture subscription receipts (the "Debenture Subscription Receipts") for gross proceeds of CAD 17.5 million. On 11 February 2014, with the satisfaction of the escrow release conditions, each Debenture Subscription Receipt was converted into one Intertain convertible debenture (a "Convertible Debenture") and 30 common share warrants. The Convertible Debentures accrue interest at a rate of 5.0% per annum, payable semi-annually in arrears on 30 June and 31 December in each year. Upon initial recognition of the Convertible Debentures, the liability component of the Convertible Debentures was recognised at fair value of a similar liability that does not have an equity conversion option and the residual amount was recognised as a reserve in equity. The Convertible Debentures were initially convertible at the holder's option into Intertain common shares at a conversion price of CAD 6.00 per share at any time prior to maturity. Upon completion of the Arrangement, the Convertible Debentures are convertible at the holder's option into ordinary shares of Jackpotjoy plc at a conversion price of CAD 6.00 per share at any time prior to maturity. During the six months ended 30 June 2017 (and prior to completion of the plan of arrangement), approximately CAD 3.8 million (£2.3 million) principal amount of Convertible Debentures were converted into 628,333 common shares of Intertain. Additionally, during the six months ended 30 June 2017 (and following the completion of the plan of arrangement), approximately CAD 0.4 million (£0.3 million) principal amount of Convertible Debentures were converted into 71,833 ordinary shares of Jackpotjoy plc. The remaining Convertible Debentures mature on 31 December 2018.

First Lien Facilities and Second Lien Facility

On 8 April 2015, the Group 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.

The Credit Facilities bear an annual interest rate of either (i) the applicable LIBOR (adjusted to reflect any applicable mandatory statutory reserves and, in the case of the Term Loan and the term loans made under the Incremental First Lien Facility, subject to a 1% floor), plus a margin of 6.50%, if LIBOR is elected based on current market conditions; or (ii) an adjusted base rate (being the greater of the applicable prime rate, the applicable federal funds rate plus 0.05%, one month USD LIBOR plus 1% and, in the case of the Term Loans, 2%), plus a margin of 5.50%, if the base rate is elected based on current market conditions.

The Second Lien Facility bears an interest rate of applicable LIBOR (adjusted to reflect any applicable mandatory statutory reserves and subject to a 1% floor) plus a margin of 9% per annum.

The First Lien Facilities mature on 8 April 2022 and the Second Lien Facility matures on 16 December 2022.

The First Lien Facilities and the Second Lien Facility are guaranteed by each of Intertain's existing and subsequently acquired or formed wholly-owned direct and indirect subsidiaries, subject to certain exceptions (together with Intertain, the "Credit Parties" and each, a "Credit Party"). The obligations of each Credit Party in respect of the First Lien Facilities and the Second Lien Facility are secured by a perfected first priority security interest and a perfected second priority security interest, respectively, (subject to certain permitted liens) in each of the Credit Parties' tangible and intangible assets (except for certain rights, to the extent prohibited by applicable law).

Intertain is required to repay the principal amount of the Term Loan by making quarterly instalment payments equal to 2.50% (being 10.00% per annum) of the initial principal amount with the remaining principal balance due on 8 April 2022. In addition to the quarterly instalment payments, Intertain is also required to apply, on an annual basis, an amount equal to 50% of the excess cash flow of Intertain to the principal repayment of the Term Loan and the term loans made under the Incremental First Lien Facility. Excess cash flow in any excess cash flow period (i.e. 30 September 2015 to 31 December 2015 and then each fiscal year thereafter) is calculated by determining the EBITDA of Intertain on a consolidated basis for such period, less, without duplication, debt service, capital expenditures, permitted business acquisitions and investments, taxes paid in cash, increases in working capital, cash expenditures in respect of swap agreements, any extraordinary, unusual or nonrecurring loss, income or gain on asset dispositions, and plus, without any duplication, decreases in working capital, capital expenditures funded with the proceeds of the issuance of debt or the issuance of equity, cash payments received in respect of swap agreements, any extraordinary, unusual or nonrecurring gain realised in cash and cash interest income to the extent deducted in the computation of EBITDA.

The percentage of Intertain's excess cash flow allocated to the principal repayment of the Term Loan may be reduced based on the total leverage ratio (i.e. consolidated debt to EBITDA) of Intertain at the end of the applicable cash flow period such that it will be:

- 25% if the total leverage ratio is less than 3.50 to 1.00 but is greater than 2.00 to 1.00.
- 0% if the total leverage ratio is less than or equal to 2.00 to 1.00.

The positive and negative covenants contained in the Credit Agreement include, among other things, restrictions on Intertain and (subject to certain exceptions) its subsidiaries: (i) incurring further indebtedness (including preferred stock), liens and guarantees; (ii) fundamental changes to the nature of Intertain's business (e.g. mergers, acquisitions, re-organisations and asset sales); (iii) payment of dividends, the making of distributions in respect of capital stock and certain other restricted payments (provided that other exceptions, dividends, distributions and certain other restricted payments are permitted in an unlimited amount subject to satisfaction of a total leverage ratio of no greater than 2.75:1 on a pro forma basis, payment in full of the Jackpotjoy and Starspins earn-out and there being no default (as defined in Credit Agreement) existing at the time of such dividend, distribution or other restricted payment being made and no default resulting therefrom); (iv) use of proceeds; (v) investment loans and advances; (vi) optional payments and modifications of contractually subordinated debt instruments and certain other debt instruments; (vii) transactions with affiliates; (viii) sale and leasebacks; (ix) changes in fiscal year; (x) changes in lines of business; (xi) pension matters; and (xii) speculative hedging, in each case subject to important exceptions.

The positive and negative covenants to which Intertain and certain of its subsidiaries are subject in respect of the Second Lien Facility are substantially consistent with those under the Credit Agreement, with adjustments to reflect the second lien nature of the facility. Certain prepayments and repayments during the first, second and third years following the closing of the Second Lien Facility are subject to a prepayment premium equal to a customary make-whole premium (for the first year), 2% (for the second year) and 1% (for the third year), in each case, on the amount prepaid or repaid.

The Group was in compliance with covenants contained in the Credit Agreement and Second Lien Credit Agreement as at 30 June 2017.

Contingent consideration

The Group's contingent consideration currently consists of remaining Jackpotjoy earn-out payments related to the achievement of certain performance milestones in the Jackpotjoy segment and the Spanish assets within the Jackpotjoy segment. A £94.2 million payment was made in the period ended 30 June 2017 for the earn-out owing on the non-Spanish assets within the Jackpotjoy segment.

Contractual commitments

Contractual commitments of the Group, comprised of various office leases, amount to £1.4 million and are due within a five-year period.

Dividends

During the three and six months ended 30 June 2017, £nil (31 June 2016 – £nil) ordinary share dividends were declared and paid.

Outstanding share data

As at 14 August 2017, the Group had a total of 74,052,431 ordinary shares issued and Intertain had approximately CAD 0.4 million principal amount of Convertible Debentures outstanding. See "Convertible Debentures". As at 14 August 2017, Jackpotjoy plc had 3,085,490 share options outstanding.

Internal control over financial reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Group. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the internal control integrated framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO").

Management, including the CEO and CFO, does not expect that the Group's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

During the six months ended 30 June 2017 there have been no changes in the Group's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect the Group's internal controls over financial reporting.

Summary of significant accounting policies

For a description of the Group's significant accounting policies, critical accounting estimates and assumptions, and related information see note 3 to the 2016 Annual Financial Statements. Other than what is described below, there have been no changes to the Group's significant accounting policies or critical accounting estimates and assumptions during the six months ended 30 June 2017.

Change in presentation currency

Effective from 1 January 2017, the Group changed its presentation currency from Canadian dollars to pounds sterling. 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 Consolidated Financial Statements have been retranslated from Canadian dollars to pounds sterling using the procedures outlined below:

- income and expenses were translated into pounds sterling at average quarterly rates of exchange ($:£ – 0.5410). 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;
- quarterly average exchange rates were used to convert changes in items not involving cash and to convert 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.

Hedge Accounting

Effective from 31 March 2017, the Group has elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with both the foreign exchange component and interest rate risk component of Group's current cross currency swap ("New Currency Swap"), in accordance with guidance provided in IAS 39 – Financial Instruments: Recognition and Measurement.

IAS 39 permits hedge accounting under certain circumstances provided that the hedging relationship is:

- formally designated and documented, including the entity's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness;

- expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented, and effectiveness can be reliably measured; and

- assessed on an ongoing basis and determined to have been highly effective.

Based on the Group's analysis of the requirements outlined above, it was concluded that the New Currency Swap meets all the necessary criteria and qualifies for use of hedge accounting.

Summary of accounting estimates and assumptions

The preparation of the Group's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The effect of a change in an accounting estimate is recognised prospectively by including it in the comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below.

Business combinations and contingent consideration

Business combinations require management to exercise judgment in measuring the fair value of the assets acquired, equity instruments issued as well as liabilities, and contingent consideration incurred or assumed. In particular, a high degree of judgment is applied in determining the fair value of the separable intangible assets acquired, their useful economic lives, and which assets and liabilities are included in a business combination.

In certain acquisitions, the Group may include contingent consideration, which is subject to the acquired company achieving certain performance targets. At each reporting period, the Group estimates the future earnings of acquired companies, which are subject to contingent consideration in order to assess the probability that the acquired company will achieve their performance targets and thus earn their contingent consideration. Any changes in the fair value of the contingent consideration between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the estimated probability of the acquired business achieving its earnings targets and the consequential impact on amounts payable under these arrangements.

Goodwill and intangible assets valuation

Goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable values of the Group's cash generating units and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill. For additional information regarding the Group's goodwill and intangible assets valuation, see note 8 of Intertain's Consolidated Financial Statements for the year ended 31 December 2016.

Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

In the Consolidated Financial Statements, income tax associated with the Group's operations in Malta has been provided at the effective Maltese corporate net tax rate of 5% for each accounting period based on where the Group is located.

Group companies may be subject to indirect taxation on transactions which have been treated as exempt supplies of gambling, or on supplies which 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 Group 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 Group, the contingency is not recognised as a liability at the balance sheet date.

New Standards and Interpretations Adopted

The Group has not adopted any new accounting standards since 31 December 2016.

Recent Accounting Pronouncements – Not Yet Effective

IFRS 9 - Financial Instruments

The IASB issued IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (i.e. its business model) and the contractual cash flow characteristics of such financial assets. IFRS 9 also includes a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. An entity shall apply IFRS 9 retrospectively for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group is currently evaluating the impact of applying this standard, but does not anticipate applying it prior to its effective date.

IFRS 15 - Revenues from Contracts with Customers

IFRS 15 affects any entity that enters into contracts with customers. This IFRS will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance. On 27 July 2015, the IASB has decided to postpone the initial 1 January 2017 effective date to 1 January 2018 with early adoption permitted.

The Group is currently evaluating the impact of applying this standard, but does not anticipate applying it prior to its effective date.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 - Leases, which replaces IAS 17 - Leases and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. The distinction between operating leases and finance leases is removed from the perspective of a lessee. IFRS 16 will be applied retrospectively for annual periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been applied. The Group is assessing the potential impact of this standard.

Cautionary Note Regarding Forward Looking Information

This MD&A contains certain information and statements that may constitute "forward-looking information" 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 MD&A includes, but is not limited to, statements with respect to the Group's future financial performance, the future prospects of the Group's business and operations, the Group's growth opportunities and the execution of its growth strategies, the Group's earn-out obligations and the possibility of the Group drawing on the Revolving Facility. 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; 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 realise the benefits of its completed acquisitions; 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 Schedule "A" attached to the AIF. Although the Group 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 MD&A. 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, the Group 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 MD&A should not be relied upon as representing the Group's expectations, estimates and views as of any date subsequent to the date of this MD&A. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Additional Information

For further detail, see the Group's Consolidated Financial Statements for the three and six months ended 30 June 2017. Additional information about the Group, including the AIF, is available under Jackpotjoy plc's profile on SEDAR at www.sedar.com.