Jackpotjoy plc

Management's Discussion and Analysis

[in pounds sterling, except where otherwise noted]

For the Year Ended 31 December 2017

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

The following discussion and analysis provides a review of Jackpotjoy plc's results of operations, financial position and cash flows for the year ended 31 December 2017. This MD&A has been prepared with an effective date of 20 March 2018 and should be read in conjunction with the information contained in Jackpotjoy plc's consolidated financial statements and related notes for the year ended 31 December 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 under Jackpotjoy plc's profile 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 generally accepted accounting principles 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.

Corporate Developments

For the year ended 31 December 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, at each shareholder's election, ordinary shares of Jackpotjoy plc or exchangeable shares of Intertain. 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 was the final instalment in relation to the Jackpotjoy and Starspins brands and also included £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.

On 1 September 2017, following Jackpotjoy plc's successful listing on the London Stock Exchange, Jorgen Nordlund stepped down as a non-executive director of the Group and all other directorships and consultancy arrangements with the Jackpotjoy group have also been terminated. The Group expects to announce a replacement UK-based independent non-executive director in the coming months.

On 16 October 2017, Jackpotjoy plc announced that Andrew McIver would be stepping down from his role of Chief Executive Officer, having completed the successful listing of Jackpotjoy plc on the London Stock Exchange (the "LSE"). The decision was part of the Group's continuing strategy to strengthen its operational focus, which also included the recent appointments of our highly experienced divisional managing directors.

Under the Group's new management structure, Neil Goulden was appointed Executive Chairman, responsible for leading the development and execution of the Group's long-term strategy. Furthermore, the Board of Directors has appointed experienced gaming executive Simon Wykes as CEO of Jackpotjoy Operations Ltd. to provide additional expertise. Both appointments were effective 1 November 2017.

On 14 December 2017, Jackpotjoy plc announced that it has formally completed its c.£388.5 million Senior Secured Term and Revolving Credit Facility. Initially announced on 27 November 2017, the facilities comprise of a c.£375 million equivalent term loan and a £13.5 million revolving credit facility. Proceeds of the term facility were used to repay existing First and Second Lien Facilities.

On 15 December 2017, Jackpotjoy plc announced that it has entered into a ten-year framework services agreement with Gaming Realms plc ("Gaming Realms"). Under the agreement, the Group will receive various Real Money services on favoured terms, including "Slingo Originals" content. The Group has also entered into a secured convertible loan agreement with Gaming Realms totalling £3.5 million. At any time after the first year, the Group may elect to convert all or part of the principal amount of the convertible loan into ordinary shares of Gaming Realms.

Outlook

The 2018 financial year has seen a solid start with a healthy double-digit progression in Group revenues. We are due to make the final earn-out payment to Gamesys in June and expect to meet this comfortably from existing cash resources. Deleveraging remains core to our strategy and we expect to make further progress in this area over the course of the financial year. The UK and other global online gaming markets continue to offer significant growth opportunities and we are confident that we are well-placed to take advantage of this backdrop and deliver further value to shareholders.

Selected financial information

	Three month period ended 31 December 2017 (£000's)	Three month period ended 31 December 2016 (£000's)	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)	Year ended 31 December 2015 (£000's)
Total revenue and other income	82,654	72,986	304,646	269,044	194,617
Net loss	(40,155)	(12,258)	(67,897)	(40,643)	(114,812)
Basic net loss per share	£(0.54)	£(0.17)	£(0.92)	£(0.57)	£(1.88)
Diluted net loss per share	£(0.54)	£(0.17)	£(0.92)	£(0.57)	£(1.88)

Comparison of the three months and year ended 31 December 2017 and 2016

Net Loss

The Group's higher net loss of £40.2 million during the three months ended 31 December 2017 compared to a net loss of £12.3 million in the same period in the prior year can be primarily attributed to higher accretion on financial liabilities (Q4 2017 – £16.0 million and Q4 2016 – £5.0 million) related to debt refinance that took place in Q4 2017, as well as a loss on the cross currency swap in Q4 2017 (£9.0 million) compared to a gain on the cross currency swap in Q4 2016 (£10.1 million). The increase is further driven by higher interest expense (Q4 2017 – £6.9 million and Q4 2016 – £5.2 million) due to additional debt obtained in the later part of Q4 2016. These increases are slightly offset by lower fair value adjustments on contingent consideration (Q4 2017 – £11.2 million and Q4 2016 – £15.9 million).

The Group's higher net loss of £67.9 million for the year ended 31 December 2017 compared to a net loss of £40.6 million in the same period in the prior year can be primarily attributed to a loss of £12.5 million on the cross currency swap in 2017 compared to a gain of £34.1 million on the cross currency swap in 2016. The increase is further driven by higher accretion on financial liabilities (2017 – £25.0 million and 2016 – £17.9 million) related to debt refinance that took place in Q4 2017, as well as higher interest expense (2017 – £30.2 million and 2016 – £18.2 million) due to additional debt obtained in Q4 2016. These increases are offset by lower fair value adjustments on contingent consideration (2017 – £27.6 million and 2016 – £49.4 million).

The accretion on financial liabilities for the three months and year ended 31 December 2017 includes write off of debt refinancing costs of £14.1 million on the First Lien Facilities and the Second Lien Facility, following completion of debt refinance in December 2017.

Total revenue and other income

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

- £56.1 million in revenue earned from Jackpotjoy's operational activities.
- £21.7 million in revenue earned from Vera&John's operational activities.
- £4.8 million in revenue earned from Mandalay's operational activities.

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

- £52.6 million in revenue earned from Jackpotjoy's operational activities.
- £15.3 million in revenue earned from Vera&John's operational activities.
- £5.1 million in revenue earned from Mandalay's operational activities.

The increase in revenue for the three months ended 31 December 2017 in comparison with the three months ended 31 December 2016 relates primarily to organic growth* of the Vera&John and Jackpotjoy segments, where revenues increased by 42% and 7%, respectively.

The Group's revenues during the year ended 31 December 2017 consisted of:

- £211.3 million in revenue earned from Jackpotjoy's operational activities.
- £73.2 million in revenue earned from Vera&John's operational activities.
- £20.2 million in revenue earned from Mandalay's operational activities.

The Group's revenues during the year ended 31 December 2016 consisted of:

- £188.2 million in revenue earned from Jackpotjoy's operational activities.
- £57.0 million in revenue earned from Vera&John's operational activities.
- £21.7 million in revenue earned from Mandalay's operational activities.
- £2.1 million in other income earned from the revenue guarantee relating to the service agreement entered into with Amaya Inc. (the "Revenue Guarantee") and Platform Migration Revenue (the "Platform Migration Revenue") from Amaya Inc. included in the Vera&John operating segment.

The increase in revenue for the year ended 31 December 2017 in comparison with the year ended 31 December 2016 relates primarily to organic growth* of the Vera&John and Jackpotjoy segments, where revenues increased by 28% and 12%, respectively.

**The Group defines organic growth as growth achieved without accounting for acquisitions or disposals.*

Costs and expenses

	Three month period ended 31 December 2017 (£000's)	Three month period ended 31 December 2016 (£000's)	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Expenses:				
Distribution costs	45,489	37,066	147,483	130,735
Administrative costs	31,094	26,150	113,039	96,200
Transaction related costs	4,034	6,189	6,710	22,767
Severance costs	700	—	700	5,695
	81,317	69,405	267,932	255,397

Distribution costs

	Three month period ended 31 December 2017 (£000's)	Three month period ended 31 December 2016 (£000's)	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Selling and marketing	16,720	14,382	49,760	46,744
Licensing fees	12,384	11,505	47,067	42,653
Gaming taxes	12,648	8,271	37,851	29,769
Processing fees	3,737	2,908	12,805	11,569
	45,489	37,066	147,483	130,735

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 ("POC") tax, which is a 15% tax on Total Real Money Gaming Revenue (a non-IFRS measure; please refer to page 8 of this MD&A for additional information) introduced in the UK in December 2014. Gaming taxes also consist of a 15% general betting duty on all free or discounted online bets ("POC2"), which was introduced in the UK in August 2017 and came into effect in Q4 2017. 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 and year ended 31 December 2017 compared to the same periods in 2016 is mainly due to the higher revenues achieved.

Administrative costs

	Three month period ended 31 December 2017 (£000's)	Three month period ended 31 December 2016 (£000's)	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Compensation and benefits	9,126	8,849	34,848	29,490
Professional fees	1,074	447	3,749	3,741
General and administrative	4,503	2,280	11,400	6,836
Amortisation and depreciation	16,391	14,574	63,042	56,133
	31,094	26,150	113,039	96,200

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 and year ended 31 December 2017 compared to the same periods in 2016 relates to staff additions, bonus accruals, and salary increases in various business units.

Professional fees consist mainly of legal, accounting and audit fees. The increase in professional fees for the three months ended 31 December 2017 compared to the same period in 2016 relates to increases in consulting and legal costs associated with the Group's growth and dual listings on both, the London Stock Exchange and the Toronto Stock Exchange. However, professional fees incurred in the year ended 31 December 2017 are flat in comparison to the same period in 2016 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, write-offs of accounts receivable and other office overhead charges. The increase in these expenses for the three months ended 31 December 2017 compared to the same period in the prior year can be attributed mostly to higher travel costs and accounts receivable write-offs of £1.4 million recorded in the current period. The increase in these expenses for the year ended 31 December 2017 compared to the same period in the prior year relates to accounts receivable write-offs of £1.5 million, as well as higher travel costs and overheads.

Amortisation and depreciation consists of amortisation of the Group's intangible assets and depreciation of the Group's tangible assets over their useful lives. The increase in amortisation and depreciation for the three months and year ended 31 December 2017 is due to intangible and tangible asset additions since Q1 2016, particularly the non-compete clauses (as defined below), for which amortisation started in 2017.

Transaction related costs

Transaction related costs consist of legal, professional, due diligence, other direct costs/fees associated with transactions and acquisitions contemplated or completed, initiatives, costs related to corporate structure optimisation, and the refinancing of the Group's external debt. 2016 and Q1 2017 transaction related costs also included costs associated with the UK strategic review and initiatives undertaken by the Intertain board of directors. Transaction related costs for the year ended 31 December 2016 additionally included special committee fees.

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 months and year ended 31 December 2017 and 2016" and "Summary of results by segment – Results by segment"* sections of this MD&A.

- Adjusted EBITDA, as defined by the Group, is income before interest expense including accelerated debt costs and other accretion (net of interest income), income taxes, amortisation and depreciation, share-based compensation, independent committee related expenses, severance costs, (gain)/loss on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange (gain)/loss, and gain on sale of intangible assets. Management believes that Adjusted EBITDA is an 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, (gain)/loss on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange (gain)/loss, and gain on sale of intangible assets eliminates items which management believes are either non-operational and non-routine.

- 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 on financial liabilities including accelerated debt issue costs, amortisation of acquisition related purchase price intangibles and non-compete clauses, share-based compensation, independent committee related expenses, severance costs, (gain)/loss on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange (gain)/loss substantially arising on the Group's credit facilities, and gain on sale of intangible assets. The exclusion of accretion on financial liabilities 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, (gain)/loss on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange (gain)/loss, and gain on sale of intangible assets eliminates items which management believes are non-operational and/or non-routine. Adjusted Net Income is considered by some investors and analysts for the purpose of assisting in valuing a company.

- 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.

- Total 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 Total Real Money Gaming Revenue ("Total 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 Total Real Money Gaming Revenue.

Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the three months and year ended 31 December 2017 and 2016

The following table highlights Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the three months and year ended 31 December 2017 and 2016 and a reconciliation of the Group's reported results to its adjusted measures.

	Three month period ended 31 December 2017 (£000's)	Three month period ended 31 December 2016 (£000's)	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Net Loss for the period	(40,155)	(12,258)	(67,897)	(40,643)
Interest expense, net	6,828	5,113	30,007	18,087
Accretion on financial liabilities	15,998	5,012	25,049	17,857
Taxes	214	(45)	701	(64)
Amortisation and depreciation	16,391	14,574	63,042	56,133
EBITDA	(724)	12,396	50,902	51,370
Share-based compensation	231	761	1,429	2,264
Severance costs	700	—	700	5,695
Fair value adjustment on contingent consideration	11,198	15,883	27,562	49,382
Gain on sale of intangible assets	(269)	—	(1,271)	—
Independent Committee related expenses	—	—	—	1,693
Loss/(gain) on cross currency swap	8,978	(10,116)	12,512	(34,070)
Transaction related costs	4,034	6,189	6,710	22,767
Foreign exchange (gain)/loss	(1,455)	(8)	10,051	3,098
Adjusted EBITDA	22,693	25,105	108,595	102,199
Net Loss for the period	(40,155)	(12,258)	(67,897)	(40,643)
Share-based compensation	231	761	1,429	2,264
Severance costs	700	—	700	5,695
Fair value adjustment on contingent consideration	11,198	15,883	27,562	49,382
Gain on sale of intangible assets	(269)	—	(1,271)	—
Independent Committee related expenses	—	—	—	1,693
Loss/(gain) on cross currency swap	8,978	(10,116)	12,512	(34,070)
Transaction related costs	4,034	6,189	6,710	22,767
Foreign exchange (gain)/loss	(1,455)	(8)	10,051	3,098
Amortisation of acquisition related purchase price intangibles and non-compete clauses	15,874	14,340	61,227	55,505
Accretion on financial liabilities	15,998	5,012	25,049	17,857
Adjusted Net Income	15,134	19,803	76,072	83,548
Diluted Net Loss per share	£(0.54)	£(0.17)	£(0.92)	£(0.57)
Diluted Adjusted Net Income per share	£0.20	£0.27	£1.02	£1.13

Summary of results by segment

Results by 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 31 December 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Gaming revenue	56,111	21,709	4,834	—	82,654
Net Income/(Loss) for the period	8,769	919	(104)	(49,739)	(40,155)
Interest expense, net	—	(39)	1	6,866	6,828
Accretion on financial liabilities	—	—	—	15,998	15,998
Taxes	—	214	—	—	214
Amortisation and depreciation	12,243	2,573	1,481	94	16,391
EBITDA	21,012	3,667	1,378	(26,781)	(724)
Share-based compensation	—	—	—	231	231
Severance costs	—	—	—	700	700
Fair value adjustment on contingent consideration	—	—	—	11,198	11,198
Gain on sale of intangible assets			(269)	—	(269)
Loss on cross currency swap	—	—	—	8,978	8,978
Transaction related costs	—	—	—	4,034	4,034
Foreign exchange gain	(1)	(9)	(2)	(1,443)	(1,455)
Adjusted EBITDA	21,011	3,658	1,107	(3,083)	22,693

(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 debt, refinancing of debt, and the reporting obligations of Jackpotjoy plc and Intertain.*

Three months ended 31 December 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Gaming revenue	52,532	15,262	5,192	—	72,986
Net Income/(Loss) for the period	11,221	1,556	96	(25,131)	(12,258)
Interest expense, net	—	(35)	1	5,147	5,113
Accretion on financial liabilities	—	—	—	5,012	5,012
Taxes	—	(45)	—	—	(45)
Amortisation and depreciation	10,429	2,555	1,585	5	14,574
EBITDA	21,650	4,031	1,682	(14,967)	12,396
Share-based compensation	—	—	—	761	761
Fair value adjustment on contingent consideration	—	—	—	15,883	15,883
Gain on cross currency swap	—	—	—	(10,116)	(10,116)
Transaction related costs	—	220	—	5,969	6,189
Foreign exchange loss/(gain)	30	(43)	(30)	35	(8)
Adjusted EBITDA	21,680	4,208	1,652	(2,435)	25,105

(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 debt, refinancing of debt, and the reporting obligations of Jackpotjoy plc and Intertain.*

Year ended 31 December 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Gaming revenue	211,302	73,167	20,177	—	304,646
Net Income/(Loss) for the year	48,600	7,939	1,089	(125,525)	(67,897)
Interest expense, net	—	(166)	4	30,169	30,007
Accretion on financial liabilities	—	—	—	25,049	25,049
Taxes	—	701	—	—	701
Amortisation and depreciation	46,420	9,956	6,286	380	63,042
EBITDA	95,020	18,430	7,379	(69,927)	50,902
Share-based compensation	—	—	—	1,429	1,429
Severance costs	—	—	—	700	700
Fair value adjustment on contingent consideration	—	—	—	27,562	27,562
Loss on cross currency swap	—	—	—	12,512	12,512
Transaction related costs	—	—	—	6,710	6,710
Gain on sale of intangible assets	—	(1,002)	(269)	—	(1,271)
Foreign exchange loss	75	599	24	9,353	10,051
Adjusted EBITDA	95,095	18,027	7,134	(11,661)	108,595

(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 debt, refinancing of debt, and the reporting obligations of Jackpotjoy plc and Intertain.*

Year ended 31 December 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated corporate costs(1) (£000's)	Totals (£000's)
Gaming revenue	188,177	57,013	21,748	—	266,938
Other income	—	2,106	—	—	2,106
Net Income/(Loss) for the year	43,485	7,849	823	(92,800)	(40,643)
Interest expense, net	—	(83)	6	18,164	18,087
Accretion on financial liabilities	—	—	—	17,857	17,857
Taxes	—	(64)	—	—	(64)
Amortisation and depreciation	41,341	8,863	5,913	16	56,133
EBITDA	84,826	16,565	6,742	(56,763)	51,370
Share-based compensation	—	—	—	2,264	2,264
Severance costs	—	—	—	5,695	5,695
Independent Committee related expenses	—	—	—	1,693	1,693
Fair value adjustment on contingent consideration	—	—	—	49,382	49,382
Gain on cross currency swap	—	—	—	(34,070)	(34,070)
Transaction related costs	—	862	—	21,905	22,767
Foreign exchange (gain)/loss	(248)	593	(132)	2,885	3,098
Adjusted EBITDA	84,578	18,020	6,610	(7,009)	102,199

(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 debt, refinancing of debt, and the reporting obligations of Jackpotjoy plc and Intertain.*

Comparison and discussion of the three months and year ended 31 December 2017 to the same periods in 2016

Jackpotjoy

	Q4 2017 £(millions)	Q4 2016 £(millions)	Variance £(millions)	Variance %
Revenue	56.1	52.6	3.5	7%
Distribution costs	30.5	26.9	3.6	13%
Administration costs	4.6	4.0	0.6	15%
Adjusted EBITDA	21.0	21.7	(0.7)	(3%)

	YTD 2017 £(millions)	YTD 2016 £(millions)	Variance £(millions)	Variance %
Revenue	211.3	188.2	23.1	12%
Distribution costs	99.1	88.1	11.0	12%
Administration costs	17.1	15.5	1.6	10%
Adjusted EBITDA	95.1	84.6	10.5	12%

Revenue for the Jackpotjoy segment increased in the three months and year ended 31 December 2017 due to organic growth (as defined on page 4 of this MD&A) led by sharp increases in Starspins and Botemania brands. Collectively, they accounted for 25% and 22% of the segment's revenue for the three months and year ended 31 December 2017, respectively. Jackpotjoy UK brand revenue accounted for 64% and 66% of the Jackpotjoy segment's revenue for the three months and year ended 31 December 2017, respectively. In addition to higher revenues achieved, the increase in distribution costs for the three months and year ended 31 December 2017 is further driven by the segment's UK TV marketing campaign launched in September 2017, as well as an incremental gaming tax expense incurred in Q4 2017, which relates to the introduction of tax on bonuses through UK POC2 tax.

Vera&John

	Q4 2017 £(millions)	Q4 2016 £(millions)	Variance £(millions)	Variance %
Revenue	21.7	15.3	6.4	42%
Distribution costs	11.6	6.9	4.7	68%
Administration costs	6.5	4.2	2.3	55%
Adjusted EBITDA	3.6	4.2	(0.6)	(14%)

	YTD 2017 £(millions)	YTD 2016 £(millions)	Variance £(millions)	Variance %
Revenue	73.2	57.0*	16.2	28%
Distribution costs	36.6	28.3	8.3	29%
Administration costs	18.6	12.8	5.8	45%
Adjusted EBITDA	18.0	15.9*	2.1	13%

**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 the three months and year ended 31 December 2017 increased by 42% and 28% respectively, compared to the same periods in 2016 due to strong organic growth (as defined on page 4 of this MD&A). GBP to EUR exchange rate movement also impacted these results. On a constant currency basis in the three months and year ended 31 December 2017, revenue increased by 39% and 20% respectively, compared to same periods in 2016. Constant currency amounts are calculated by applying the same EUR to GBP average exchange rates to both, current and prior year comparative periods. Distribution costs also increased by 68% and 29% as game suppliers and payment providers' costs moved proportionally with revenue. Selling and marketing costs increased by 72% and 35% in the three months and year ended 31 December 2017 respectively, due to several marketing campaigns launched in Q4 2017.

Increases in administration costs for the three months and year ended 31 December 2017 compared to the same periods in 2016, were mainly driven by accounts receivable write-offs recorded in Q4 2017, as well as increases in personnel costs as the segment continues to grow.

Mandalay

	Q4 2017 £(millions)	Q4 2016 £(millions)	Variance £(millions)	Variance %
Revenue	4.8	5.1	(0.3)	(6%)
Distribution costs	3.3	3.2	0.1	3%
Administration costs	0.4	0.3	0.1	33%
Adjusted EBITDA	1.1	1.6	(0.5)	(31%)

	YTD 2017 £(millions)	YTD 2016 £(millions)	Variance £(millions)	Variance %
Revenue	20.2	21.7	(1.5)	(7%)
Distribution costs	11.7	14.0	(2.3)	(16%)
Administration costs	1.4	1.1	0.3	27%
Adjusted EBITDA	7.1	6.6	0.5	8%

Revenue for the Mandalay segment for the three months and year ended 31 December 2017 was 6% and 7% lower respectively, compared to the same periods in 2016. Adjusted EBITDA for the three months ended 31 December 2017 was 31% lower compared to the prior period due to incremental gaming tax expense incurred in Q4 2017, which relates to POC2. This was partially offset by lower marketing spend in the period.

However, for the year ended 31 December 2017, Adjusted EBITDA was 8% higher compared to the same period in 2016 as a result of lower marketing spend. Operational margins and deposit hold have been improving since the segment focused on changing promotional spend in Q1 2017. The segment continues to focus on developing a long-term strategy to best maximise future growth.

Unallocated Corporate Costs

Adjusted EBITDA on unallocated corporate costs decreased from (£2.4) million to (£3.1) million in the three months ended 31 December 2017 compared to the three months ended 31 December 2016. The variance mainly relates to a £0.2 million increase in general and administrative overheads and a £0.6 million increase in professional fees, which were slightly offset by a £0.2 million decrease in compensation.

Adjusted EBITDA on unallocated corporate costs decreased from (£7.0) million to (£11.7) million in the year ended 31 December 2017 as compared to the year ended 31 December 2016. This is primarily due to an increase of £1.7 million in compensation due to the addition of new staff and bonuses, a £1.2 million increase in general and administrative overhead costs associated with increased headcount and higher travel costs, as well as a £1.8 million increase in professional fees.

Key Performance Indicators

	Year ended 31 December 2017	Year ended 31 December 2016	Variance	Variance %
Average Active Customers per month (#)	250,321	235,584	14,737	6%
Total Real Money Gaming Revenue (£000's) (1)	282,375	243,042	39,333	16%
Average Real Money Gaming Revenue per month (£000's)	23,531	20,254	3,277	16%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	94	86	8	9%

(1) Total Real Money Gaming Revenue for the year ended 31 December 2017 consists of total revenue less other income earned from the Revenue Guarantee and Platform Migration Revenue of £nil (31 December 2016 - £2.1 million) and revenue earned from affiliate websites and social gaming revenue of £22.3 million (31 December 2016 - £23.9 million).

Monthly Real Money Gaming Revenue per Average Active Customer increased by 9% year-over-year which is in line with the Group's overall customer acquisition and retention strategy.

Historical results by quarter

	Three months ended 31 December 2017 (£000's)	Three months ended 30 September 2017 (£000's)	Three months ended 30 June 2017 (£000's)	Three months ended 31 March 2017 (£000's)
Total revenue	82,654	75,423	75,193	71,376
Net Loss	(40,155)	(7,669)	(4,772)	(15,301)
Basic Loss per share	£(0.54)	£(0.10)	£(0.06)	£(0.21)
Diluted Loss per share	£(0.54)	£(0.10)	£(0.06)	£(0.21)

	Three months ended 31 December 2016 (£000's)	Three months ended 30 September 2016 (£000's)	Three months ended 30 June 2016 (£000's)	Three months ended 31 March 2016 (£000's)
Total revenue and other income	72,986	66,368	64,278	65,412
Net (Loss)/Income	(12,258)	(18,579)	(14,873)	5,067
Basic (Loss)/Income per share	£(0.17)	£(0.26)	£(0.21)	£0.07
Diluted (Loss)/Income per share	£(0.17)	£(0.26)	£(0.21)	£0.07

The general upward trend in revenue from Q1 2016 to Q4 2017 is driven by organic growth (as defined on page 4 of this MD&A) in the Jackpotjoy and Vera&John segments. Revenue is susceptible to various risk factors that can cause fluctuations from quarter to quarter as noted in Jackpotjoy plc's most recently filed annual information form (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, fair value adjustments on contingent consideration, accretion on financial liabilities, and the amortisation of intangible assets.

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 by 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).

Revenue for Q3 2017 was consistent with Q2 2017. The net loss for Q3 2017 is higher than in Q2 2017, primarily due to higher selling and marketing costs (Q3 2017 – £12.6 million, Q2 2017 – £10.8 million), and transaction related expenses (Q3 2017 – £1.4 million, Q2 2017 – £nil).

The increase in revenue between Q4 2017 and Q3 2017 is due to stronger results achieved by the Vera&John and Jackpotjoy segments, which saw revenues grow by 18% and 8% respectively, compared to Q3 2017. The net loss for Q4 2017 is higher than in Q3 2017 primarily due to a loss on the cross currency swap realised in the period (Q4 2017 – £9.0 million, Q3 2017 – £nil). The increase is also driven by higher accretion on financial liabilities expense in Q4 2017 resulting from debt refinancing, as well as a higher fair value adjustment on contingent consideration.

Financial condition

	As at 31 December 2017 (£000's)	As at 31 December 2016 (£000's)	Variance (£000's)	As at 31 December 2015 (£000's)
Total current assets	93,232	139,077	(45,845)	63,865
Total non-current assets	595,947	652,301	(56,354)	674,291
Total assets	689,179	791,378	(102,199)	738,156
Total current liabilities	98,469	154,860	(56,391)	54,277
Total non-current financial liabilities	386,653	397,050	(10,397)	394,846
Total liabilities	485,122	551,910	(66,788)	449,123

The £36.4 million decrease in current assets (excluding the cash and restricted cash decrease of £9.5 million) since 31 December 2016, largely relates to a £38.2 million decrease in the current portion of the cross currency swap, which was terminated on 28 March 2017. Proceeds from the termination were used to fund part of the earn-out payment for the non-Spanish and Spanish assets of the Jackpotjoy segment. The decrease was further driven by a £0.4 million decrease in customer deposits and a £0.4 million decrease in taxes receivable. This was partially offset by a £2.6 million increase in trade and other receivables.

The decrease in non-current assets of £56.4 million since 31 December 2016 mainly relates to the amortisation and depreciation of intangible and tangible assets of £63.0 million and a £1.1 million disposal of intangibles, slightly offset by the additions of software development and tangible assets of £4.3 million. This was further offset by a £0.9 million increase in other long-term receivables, primarily related to the loan made to Gaming Realms, a £2.1 million increase in other long-term assets related to the conversion element of the Gaming Realms Agreement, and a £0.4 million increase in goodwill.

The decrease in current liabilities of £56.4 million since 31 December 2016 largely relates to the following:

- a decrease in contingent consideration of £35.0 million due to the final payment of the earn-out on the non-Spanish assets and the first payment on the Spanish assets within the Jackpotjoy segment, offset by accretion on financial liabilities of £6.1 million and fair value adjustments of £27.6 million.
- a decrease of £0.5 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 £26.7 million in the current portion of long-term debt, related to the settlement of debt through the debt refinance that took place in December 2017
- a decrease of £3.2 million in other short-term payables mainly driven by settlement of transaction related payables.
- a £0.4 million decrease in amounts payable to customers.

These decreases were partially offset by the following:

- an increase of £8.8 million in accounts payable, due to higher marketing and game supplier charges incurred in the period.
- an increase in interest payable of £0.3 million.
- an increase of £0.3 million in convertible debentures due to reclassification of convertible debentures from long-term to short-term as they are now due within one year.

The decrease in non-current liabilities of £10.4 million is largely related to the decrease in contingent consideration of £25.6 million due to the final payment of the earn-out on the non-Spanish assets and the first payment on the Spanish assets within the Jackpotjoy segment, slightly offset by fair value adjustments as well as accretion on financial liabilities. The non-current liabilities were further decreased by a £3.3 million decrease in convertible debentures due to conversions, a £6.2 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 £0.7 million decrease in the deferred tax liability. These decreases were partially offset by an increase of £25.4 million in long-term debt as a result of the debt refinance that took place in December 2017.

Cash flow by activity

	Three month period ended 31 December 2017 (£000's)	Three month period ended 31 December 2016 (£000's)	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Operating activity	22,799	19,751	100,970	83,005
Financing activity	(5,457)	(10,039)	(110,200)	(44,874)
Investing activity	(4,758)	(794)	(6,691)	(2,500)

Operating activity

Cash provided by operating activities during the three months and year ended 31 December 2017 relates to cash generated from the operational activities of the Jackpotjoy, Vera&John, and Mandalay segments. During the three months and year ended 31 December 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 31 December 2017 relates mainly to the following transactions:

- £355.2 million in principal debt payments, which were offset by long-term debt proceeds of £367.7 million related to the debt refinance.
- £8.3 million in payments related to the settlement of the New Currency Swap.
- £7.8 million in interest payments.
- £2.0 million in payments related to the non-compete clauses.

Cash used in financing activities for the year ended 31 December 2017 relates mainly to the following transactions:

- £374.0 million in principal debt payments, which were offset by long-term debt proceeds of £367.7 million related to the debt refinance.
- £94.2 million earn-out payment related to the to the final payment on the non-Spanish assets and the first payment on the Spanish assets within the Jackpotjoy segment.
- £30.9 million in interest payments.
- £5.3 million in payments related to the non-compete clauses.

This was offset by £26.1 million in proceeds from the cross currency swap settlements, £0.4 million in proceeds from the exercise of options.

Investing activity

Cash used in investing activities for the three months and year ended 31 December 2017 relates to a £3.5 million secured convertible loan made to Gaming Realms and the purchase of tangible assets, as well as internally generated intangible assets. For the year ended 31 December 2017, this was partially offset by 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 31 December 2017:

	On demand	Less than 1 year	1-2 years	3-5 years	After 5 years
	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Accounts payable and accrued liabilities	17,821	—	—	—	—
Other short-term/long-term payables	4,151	8,000	10,000	—	—
Payable to customers	8,180	—	—	—	—
Contingent consideration	—	53,348	8,750	—	—
Convertible debentures	—	258	—	—	—
Long-term debt	—	—	—	—	374,292
Interest payable on long-term debt	—	20,621	39,461	39,407	39,461
	30,152	82,227	58,211	39,407	413,753

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 interest payments related to the EUR Term Facility (as defined below) and the GBP Term 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 remaining Jackpotjoy earn-out payment and Term Facilities (as defined below) payments and interest repayments become due.

As at 31 December 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 £13.5 million RCF (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") for key management personnel. 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 Financial Times Stock Exchange 250 index (excluding investment trusts and financial services companies) over three years commencing on 25 January 2017 ("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 ("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 months and year ended 31 December 2017, the Group recorded £0.1 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 year ended 31 December 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 year ended 31 December 2017 (and following the completion of the plan of arrangement), approximately CAD 1.7 million (£1.0 million) principal amount of Convertible Debentures were converted into 288,165 ordinary shares of Jackpotjoy plc. The remaining Convertible Debentures mature on 31 December 2018, unless redeemed earlier in accordance with their terms.

Credit Facilities

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 €20,000,000 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 £90.0 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 £150.0 million.

On 6 December 2017, Jackpotjoy plc entered into a senior facilities agreement ("Senior Facilities Agreement") pursuant to which debt facilities were made available to Jackpotjoy plc and certain of its subsidiaries in an aggregate sterling equivalent amount of approximately £388,492,000, comprised of (i) a €140,000,000 term facility (the "EUR Term Facility", (ii) a £250,000,000 term facility (the "GBP Term Facility and, together with the EUR Term Facility, the "Term Facilities") and (iii) a £13,500,000 revolving credit facility (the "RCF" and, together with the Term Facilities, the "Facilities"). Proceeds from the Term Facilities were used in part to repay the Group's existing First and Second Lien Facilities on 14 December 2017 at which point, the accretion of the remaining debt issue costs on the First and Second Lien facilities was accelerated. Proceeds from the RCF can be applied to, among other things, working capital and general corporate purposes and financing or refinancing capital expenditure.

The Term Facilities are non-amortising and mature in December 2024. The RCF matures in December 2023.

The EUR Term Facility has an interest rate of EURIBOR (with a 0% floor) plus an opening margin of 4.25% per annum, subject to a margin ratchet with step downs of 0.25% to 3.50% based on reductions in the senior secured net leverage ratio ("SSLR") and meeting certain ratings requirements. The GBP Term Facility has an interest rate of LIBOR (with a 0% floor) plus an opening margin of 5.25% per annum, subject to a margin ratchet with step downs of 0.25% to 4.50% based on reductions in the SSLR and meeting certain ratings requirements. The RCF has an interest rate of EURIBOR (for Euro loans, with a 0% floor) or LIBOR (for GBP and USD loans, with a 0% floor) plus, in each case, an opening margin of 4.25% per annum, subject to a margin ratchet with step downs of 0.50% to 3.25% based on reductions in the SSLR.

The Senior Facilities Agreement contains certain restrictions on, amongst other things, asset disposals, debt incurrence, loans and guarantees, joint ventures and acquisitions, subject in each case to various permissions. The Senior Facilities Agreement also contains a senior secured leverage ratio maintenance covenant and an interest cover maintenance covenant.

Jackpotjoy plc was in compliance with the terms of the Senior Facilities Agreement as at 31 December 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 year ended 31 December 2017 for the earn-out owing on the non-Spanish and Spanish assets within the Jackpotjoy segment.

Contractual commitments

Contractual commitments of the Group, comprised of various office leases, amount to £2.0 million (31 December 2016 – £1.1 million) and are due within a five-year period.

Dividends

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

Outstanding share data

As at 19 March 2018, the Group had a total of 74,133,930 ordinary shares issued and Intertain had approximately CAD $0.1 million principal amount of Convertible Debentures outstanding. See "*Convertible Debentures*" section within this MD&A. As at 19 March 2018, Jackpotjoy plc had 3,015,490 share options and Intertain had 19,564,276 exchangeable shares outstanding.

Related party transactions

As disclosed in note 11 of the Group's Consolidated Financial Statements for the year ended 31 December 2017, the Group entered into loan and services agreements with Gaming Realms plc. Jim Ryan is a Director of both Jackpotjoy plc and Gaming Realms plc. Mr. Ryan recused himself from all discussions related to these agreements.

Internal control over financial reporting

The Executive Chairman ("EC") 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 EC 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.

As required by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the EC and the CFO have caused the effectiveness of disclosure controls and procedures, as well as the internal controls over financial reporting to be evaluated using the COSO framework. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures, and the design and operation of the Group's internal controls over financial reporting were effective as at 31 December 2017.

During the three months and year ended 31 December 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 of the Group's Consolidated Financial Statements for the year ended 31 December 2017.

Change in presentation currency

Effective from 1 January 2017, the Group 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* and a statement of financial position as at the beginning of the previous financial year has been presented. The 2016 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 ($:£ – 0.6036). Differences resulting from the retranslation on the opening net assets and the results for the year have been taken to reserves;
- assets and liabilities were translated at spot rates in effect at the balance sheet closing dates ($:£ 2016 – 0.6037 and 2015 – 0.4900);
- 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 cash provided by/(used in) operating activities, financing activities, and investing activities. Spot rates were used to convert cash balances, beginning of year and cash balances, end of year.

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

The Group uses derivative financial instruments, such as forward currency and interest rate swaps to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting period end. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in the Statements of Other Comprehensive Income and later reclassified to profit or loss when the hedge item affects profit or loss.

IAS 39 – *Financial Instruments: Recognition and Measurement* 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.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a risk associated with a recognised asset or liability or a highly probable forecast transaction; and

- hedges of a net investment in a foreign operation.

Fair value hedge

The change in the fair value of a hedging instrument is recognised in the Consolidated Statements of Comprehensive Income as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Consolidated Statements of Comprehensive Income as a finance cost. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

At 31 December 2017, the Group had no hedges designated as fair value hedges. Subsequent to year end, the Group entered into an interest rate swap agreement and designated it as a fair value hedge.

Cash flow hedges

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The effective portion of the gain or loss on the hedging instrument is recognised in the Statements of Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The ineffective portion relating to foreign currency contracts is recognised in finance costs. Amounts recognised in the Statements of Other Comprehensive Income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the hedging instrument or hedged item expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if the designation of the arrangement as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in the Statements of Other Comprehensive Income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Effective from 31 March 2017, the Group designated its New Currency Swap (as defined in note 12 of the Group's Consolidated Financial Statements for the year ended 31 December 2017) as a cash flow hedge.

Hedge of net investments in foreign operations

Hedges of a net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in the Statements of Other Comprehensive Income, while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

Effective from 14 December 2017, the Group elected to use its EUR Term Facility as a hedge of its exposure to foreign exchange risk on its investments in EUR foreign subsidiaries. Gains or losses on the retranslation of this borrowing are transferred to the Statements of Other Comprehensive Income to offset any gains or losses on translation of the net investments in the subsidiaries.

At 31 December 2017, no material ineffectiveness arising on net investment hedge was included in the Consolidated Statement of Comprehensive Income.

Summary of accounting estimates and assumptions

The preparation of Jackpotjoy plc's Consolidated Financial Statements requires management to make judgements, 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 judgements 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 Consolidated Statements of 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 judgements that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Business combinations and contingent consideration

Business combinations require management to exercise judgement in measuring the fair value of the assets acquired, equity instruments issued, and liabilities, and contingent consideration incurred or assumed. In particular, a high degree of judgement 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, Jackpotjoy plc 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 of amounts payable under these arrangements.

Goodwill and intangible assets

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 judgement in estimating the recoverable values of the Group's CGUs 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.

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 judgement 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.

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. Revenue 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. IFRS 9 will be applied retrospectively for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Management completed a review of the potential changes and impact of applying this standard on the Group's financial information and concluded that:

- it remains appropriate for the Group to continue measuring its loans and receivables, as well as its financial liabilities at amortised cost;
- it remains appropriate for the Group to continue measuring its contingent consideration at fair value through profit and loss; and
- in relation to its financial assets, the Group will no longer separate the embedded derivative from its host contract.

The Group will not be applying IFRS 9 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 decided to postpone the initial 1 January 2017 effective date to 1 January 2018 with early adoption permitted.

Management completed a review of the potential changes and impact of applying this standard on the Group's financial information and concluded that the new pronouncement will not impact the Group's revenue recognition policy as the Group's current policy is already in compliance with the key principles outlined in the new pronouncement.

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.

Management completed a review of the potential changes and impact of applying this standard on the Group's financial information and concluded that, while the Group will have to start presenting its operating leases on its Consolidated Balance Sheets, the impact of this change will not be material as the Group does not have a large number of such leases.

The Group will not be applying IFRS 16 prior to its effective date.

Cautionary Note Regarding Forward Looking Information

This MD&A contains certain information and statements that may constitute "forward-looking information" (including future-oriented financial information and financial outlooks) within the meaning of applicable laws, including 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", "believes", or "is confident of" 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. Certain of these statements 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 realise the benefits of its completed acquisitions, the amount of expected earn-out payments required to be made; the Group's continued relationship with the Gamesys group and other third parties; the ability of the Group to service its debt 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 Schedule "A" attached to Jackpotjoy plc's most recently filed annual information form. 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. 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 MD&A are based on certain assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While the Group 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.

Additional Information

For further detail, see the Group's Consolidated Financial Statements for the year ended 31 December 2017. Additional information about the Group is available under Jackpotjoy plc's profile on SEDAR at www.sedar.com.