

Intertain (now a subsidiary of Jackpotjoy plc)  
Year End Results 31 December 2016

*Operating cash flow of 111.7p per share<sup>1</sup>  
Q1 2017 revenue forecasted to be up 10% year-on-year*

Jackpotjoy plc (LSE: JPJ) and The Intertain Group Limited (“Intertain”) (TSX: ITX) today jointly announce the Intertain group’s (the “Group’s”) results for year ended 31 December 2016.

**Financial summary<sup>2</sup>**

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m <sup>3</sup>	Reported Change %
Revenue	269.0	234.9	15
Net loss (as reported under IFRS)	(40.6)	(111.1)	(63)
Adjusted EBITDA <sup>4</sup>	102.2	85.8	19
Adjusted net income <sup>4</sup>	83.5	71.5	17
Diluted net loss per share <sup>1</sup>	(57.1)p	(152.5)p	(63)
Diluted adjusted net income per share <sup>1,4</sup>	113.0p	95.0p	19

**Group financial highlights**

- Strong group financial performance on a like-for-like basis<sup>3</sup>:
  - Revenue growth of 15%
  - Adjusted EBITDA<sup>4</sup> growth of 19%
  - Diluted Adjusted net income per share<sup>4</sup> growth of 19%
- Record cash generation; £83.0 million of operating cash flow generated in 2016:
  - 111.7p of operating cash flow per share<sup>1</sup>. Excluding one-time/exceptional items<sup>1</sup>, this metric would increase to 138.8p per share<sup>1</sup>
  - 81% conversion rate from Adjusted EBITDA<sup>4</sup> to operating cash flow. Excluding one-time/exceptional items<sup>5</sup> this metric would increase to 101%
  - Unlevered free cash flow<sup>6</sup> of 108.4p per share
- Capital structure certainty and predictability:
  - Secured debt financing to pre-pay to Gamesys Limited (“Gamesys”) £150m of the earn-out relating to the Jackpotjoy and Starspins brands
  - All debt and earn-outs expected to be paid down from future internally generated cash
  - Cross-currency swap proceeds of US\$42.6 million realized and new cross-currency swap entered into on 28 March 2017

<sup>1</sup> Per share figures are calculated on a diluted weighted average basis using the IFRS treasury method.

<sup>2</sup> Intertain reported its 31 December 2016 financial results using CAD as its reporting currency. This release reports all figures, unless otherwise noted, in GBP (as Intertain changed its reporting currency to GBP effective 1 January 2017). Intertain’s 31 December 2016 and 2015 consolidated statements of comprehensive income, consolidated balance sheets, and consolidated statements of cash flows, reported in GBP, are contained under “31 December 2016 and 2015 Results Reported in GBP” on pages 20 through 24 of this release.

<sup>3</sup> Figures reflect results for full periods, rather than only the periods in which Intertain owned each brand.

<sup>4</sup> This release contains non-IFRS financial measures, which are noted where used. For additional details, including with respect to the reconciliations from these non-IFRS financial measures, please refer to the information under the heading “Adjusted Measures for Financial Year Ended 31 December 2016 and 2015” on pages 25 through 27 of this release.

<sup>5</sup> One-time/exceptional items include transaction-related costs paid, Independent Committee related expenses and severance payments.

<sup>6</sup> Unlevered free cash flow is calculated by deducting cash used in investing activities from operating cash flow.

## Operational highlights

- Robust operating performance across business units:
  - Jackpotjoy revenue growth of 17%, adjusted net income<sup>4</sup> growth of 34%
  - Vera&John revenue growth of 20%<sup>4</sup>, adjusted net income<sup>4</sup> growth of 124%<sup>7</sup>
  - Mandalay revenue growth of 1%, adjusted net income<sup>4</sup> growth of (23%)
- Solid improvement in core KPIs<sup>8</sup> year-on-year
  - Average Active Customers<sup>8</sup> grew to 235,584 in 2016, an increase of 15%
  - Average Real Money Gaming Revenue per month<sup>8</sup> grew to £20.3 million, an increase of 20%
  - Monthly Real Money Gaming Revenue per Average Active Customer<sup>8</sup> of £86, an increase of 4%
- Revenues from regulated markets at 77% of overall revenues

## Post period end highlights

- On 25 January 2017, Jackpotjoy plc ordinary shares admitted to trading on the standard segment of the Main Market of the London Stock Exchange
  - Intertain exchangeable shares also issued and listed on the Toronto Stock Exchange
- Based on data from the first 12 weeks of 2017, Jackpotjoy plc expects three months ended 31 March 2017 to show approximately 10% revenue growth year-on-year. This is in line with the expectations of the Jackpotjoy plc board of directors (the “Board”)

## Outlook

We believe Jackpotjoy plc is ideally positioned to take advantage of exciting future growth in the online gaming sector, which will be driven by a combination of improved accessibility of customers through the growing use of mobile devices, expanding customer demographics, and regulatory trends that are opening more markets up to online gaming.

The value of the global online casino and online bingo market is forecast to be approximately €12 billion by 2018, representing a compound annual growth rate of more than approximately 10% from 2014 (source: H2 Gambling Capital 2015) while mobile gambling is expected to grow at double-digit rates (source: Global Online Gambling and Betting Market 2015).

For 2017, management expects revenue growth in line with market growth rates. Based on data from the first 12 weeks of 2017, we expect Q1 2017 to show approximately 10% revenue growth year-on-year, in line with Board expectations. Although Adjusted EBITDA<sup>4</sup> (on a pro forma basis)<sup>3</sup> grew by 19% in 2016, profitability growth in 2017 will be somewhat impacted by the introduction of UK point-of-consumption (“POC”) tax on bonuses, due to commence in August 2017, and by an increasing proportion of our revenue being earned in the high-growth and relatively high-tax Spanish market.

<sup>7</sup> Excludes income earned from the Revenue Guarantee (as defined below) and platform migration fees. In the year ended 31 December 2016, €2.7 million (2015 – €13.5 million) was earned from the Revenue Guarantee and platform migration fees.

<sup>8</sup> For additional details, please refer to the information under the heading “Key performance indicators” on page 19 of this release.

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

“The past financial year has been a turbulent one for the Group, so I am pleased to be reporting strong results today, which clearly demonstrate the strength of our brands across the portfolio. Strong group revenue growth of 15% has been driven by growth across all our business units, with our largest brand, Jackpotjoy, reporting impressive growth of 17%.

I am also pleased to say that on a constant currency basis we achieved the high end of our market guidance. This is something I am particularly proud of given the strategic initiatives that were ongoing throughout 2016, and clearly demonstrates our ability to develop and grow our brands whilst also undertaking significant corporate-level activities.

Looking ahead to 2017, I am excited about what the year holds for Jackpotjoy plc, following our listing on the London Stock Exchange in January 2017. I am confident that our strong portfolio of brands will continue to deliver strong organic growth and this is further evidenced by the 10% revenue growth year-on-year we are forecasting for Q1 2017. I look forward to updating you further on our progress throughout the year ahead.”

**Conference call**

A conference call for analysts and investors will be held today at 1.00pm UK / 8.00am ET. Please contact the Jackpotjoy Group or Finsbury for further details if you wish to participate.

**Intertain results for the year ended 31 December 2016 and Jackpotjoy plc audited accounts for the year ended 31 December 2016**

Intertain’s financial statements for the year ended 31 December 2016 (the “2016 Consolidated Financial Statements”) and related management’s discussion and analysis will be available today on Intertain’s SEDAR profile and the Jackpotjoy plc website at <http://jackpotjoyplc.com/investors/intertain-q4-and-full-year-2016/>

Jackpotjoy plc also announces today that its annual audited accounts for the financial year ended 31 December 2016 will be available today on Jackpotjoy plc’s SEDAR profile and the Jackpotjoy plc website at <http://jackpotjoyplc.com/investors/annual-and-interim-reports/>

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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**Cautionary Note Regarding Forward-Looking Information**

*This release contains certain information and statements that may constitute “forward-looking information” (including future-oriented financial information and financial outlooks) within the meaning of Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “estimates”, “projects”, “predicts”, “targets”, “seeks”, “intends”, “anticipates”, or “believes” or the negative of such words or other variations of or synonyms for such words, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance, achievements or developments to be materially different from those anticipated by the Group and expressed or implied by the forward-looking statements. Forward-looking information contained in this release includes, but is not limited to, statements with respect to the Group’s future financial performance (including with respect to Q1 2017 trading, POC tax, taxes in Spain, cash conversion and our ability to pay down debt and earn-outs from future internally generated cash), the future prospects of the Group’s business and operations, the Group’s growth opportunities and the execution of its growth strategies, and the Group’s future dividend policy. 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 the potential withdrawal of the UK from the European Union); the Group operating in foreign jurisdictions, the competitive environment; the expected growth of the online gaming market and potential new market opportunities; anticipated and unanticipated costs; the protection of the Group’s intellectual property rights; the Group’s ability to successfully integrate and realize the benefits of its completed acquisitions; the expected earn out payments required to be made; the Group’s relationship with the Gamesys group and other third parties; the Group’s debt service obligations and the ability of the Group to obtain additional financing, if, as and when required. Such statements could also be materially affected by risks relating to the lack of available and qualified personnel or management; stock market volatility; taxation policies; competition; foreign operations; the Group’s limited operating history; and the Group’s ability to access sufficient capital from internal or external sources. The foregoing risk factors are not intended to represent a complete list of factors that could affect the Group. Additional risk factors are discussed in Intertain’s annual information form dated 29 March 2017. Although Intertain has attempted to identify important factors that could cause actual results, performance, achievements or developments to differ materially from those described in forward-looking statements, there may be other factors that cause actual results, performance, achievements or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance, achievement or developments are likely to differ, and may differ materially, from those expressed in or implied by the forward-looking information contained in this release. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Group’s expectations, estimates and views to change, Intertain does not undertake or assume any obligation to update or revise any forward-looking information, except as required by applicable securities laws. The forward-looking information contained in this release should not be relied upon as representing the Group’s expectations, estimates and views as of any date subsequent to the date of this release. The forward-looking information contained in this release is expressly qualified by this cautionary statement. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.*

*Any future-oriented financial information or financial outlooks in this release are based on certain assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While Intertain 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.*

## Chairman's statement

2016 was a year of transformation for the Group, culminating in Jackpotjoy plc becoming the parent company of Intertain, and the admission of its ordinary shares to trading on the London Stock Exchange in January 2017. This was quite an accomplishment for a company that only celebrated its third anniversary in February 2017.

That's how the year ended. I'd like to first return to the events that led us to achieve this milestone.

The journey began in March 2016 when Intertain announced a strategic review process to identify, examine, and consider a series of strategic options available to the Group, with the objective of delivering shareholder value. A Special Committee was convened and charged with studying a broad range of alternatives, including strategic transactions resulting in the sale of Intertain, one or more business units, or partial offers and recapitalizations.

After an extensive review, Intertain announced in July 2016 that it had determined to pursue comprehensive UK-centered strategic initiatives, including the London listing of Jackpotjoy plc, to enhance shareholder value. These UK strategic initiatives were intended to achieve a fuller and more appropriate valuation of Intertain's businesses, including through greater exposure to European capital markets, and to provide a platform to further develop Intertain's core assets for the long-term benefit of the Group and its shareholders.

Thanks to Intertain's acquisition of the Jackpotjoy brands in April 2015, the UK had quickly become the natural home for the Group. A London listing would provide it with access to a large, liquid and international market, with an analyst and investor base with extensive sector knowledge, and a market which is home to a significant number of Intertain's global and online gaming peers.

The Intertain board of directors, of which I was appointed Chairman in June 2016, believed that continuing to operate as a standalone business under the strong leadership of Intertain's new operationally-focused Chief Executive Officer, Andrew McIver, offered a significant opportunity to maximize the potential long-term value of the Group going forward.

As Chairman, I want to emphasize the three key strategic initiatives that were in motion when I took over: (i) the UK strategic initiatives described above, (ii) the refinancing of the business to enable us to pre-pay to Gamesys £150 million of the earn-out relating to the Jackpotjoy and Starspins brands and (iii) amendments to the long-term operating and other agreements with the Gamesys group, including additional non-competition covenants until April 2019 and a five-year extension of the operating agreements.

Prior to the London listing, Intertain raised additional debt financing in an aggregate sterling equivalent amount of £160 million, whereby proceeds were used to fund a £150 million pre-payment of the earn-out relating to the Jackpotjoy and Starspins brands. This pre-payment to Gamesys also made effective the amendments to the Gamesys group agreements.

It was an easy decision to renegotiate our contracts with the Gamesys group (our platform and service provider for the Jackpotjoy brands), as we believe the Gamesys group's platform is the best in the market and provides us with a unique and competitive edge. We value our long-term partnership with the Gamesys group, the results of which are reflected in our market share and brand performance.

The additional debt financing was an important step for the Group. Not only did it provide certainty regarding our future capital structure, the amendments to the Gamesys group agreements will further solidify our strong operating relationship with the Gamesys group.

Following the completion of these initiatives, on 25 January 2017, Jackpotjoy plc and Intertain jointly announced that 73.7 million ordinary shares of Jackpotjoy plc had been admitted to trading on the Main Market for listed securities of the London Stock Exchange.

The three key strategic initiatives I described above are building blocks, not the final destination. We now need to prove that our stock deserves a re-rating in the UK by supplying consistent growth and delivering against our trading objectives. While it was a long journey to this point, I am immensely gratified by the position that Jackpotjoy plc now holds in the UK and in particular, the strong governance and Board we now have in place which includes newly appointed experienced non-executive directors, Colin Sturgeon and Nigel Brewster. While there will inevitably be challenges ahead, the path is clear and all of us – directors, management and employees – are ready to push forward.

To conclude, this was a year of unprecedented change for the Group. However, I feel that we are now extremely well set to deliver on our targets in 2017 and beyond, with the right leadership team and right strategy in place. We are committed to providing strong financial returns to our shareholders, and are confident that the path we've identified will allow us to continue producing solid organic growth and free cash flow for the benefit of both the company and investors. On behalf of Andrew and myself, we extend our sincere appreciation to our shareholders who support Jackpotjoy plc through their investment in the company.

I would also like to take this opportunity to thank all of our employees, who work hard to ensure our customers are happy, as well as the Board for its guidance and support.

Neil Goulden  
Chairman  
29 March 2017

## Chief Executive Officer's Review

This fiscal year has been a significant period of change for the Group. We completed the London listing of Jackpotjoy plc, renegotiated our agreements with the Gamesys group, secured important new debt financing and appointed a new Board, including a new Chairman and two new non-executive directors. Against a background of all these changes, I am pleased to report that our business segments – Jackpotjoy, Vera&John and Mandalay – continue to perform well, with all three reporting organic growth.

Our strong performance throughout 2016 was due to the successful execution of our strategy, as we looked to develop our online gaming brands through innovative customer retention and acquisition initiatives, improved technology, and gaming offerings that enhance the customer experience. This has resulted in the Group generating significant organic growth opportunities across all business segments, while also increasing our mobile penetration and benefiting from overall growth of our industry.

### Operating highlights

In April 2016, we completed the migration of our InterCasino brand onto our proprietary Plain Gaming platform. In connection with the migration, we executed a termination and transition services agreement with certain subsidiaries of Amaya Inc. ("Amaya") and NYX Gaming Group Limited, pursuant to which the services and licenses agreements with these parties were terminated and the licensors paid Intertain US\$1.3 million as contributions for migration and termination costs.

In September 2016, Intertain announced additional non-competition covenants and amendments to the long-term operating and other agreements with the Gamesys group (together, the "Amendments"). The Amendments were conditional upon, among other things, Intertain making a pre-payment to Gamesys of £150 million in respect of Intertain's earn-out obligations regarding the Jackpotjoy and Starspins brands. These conditions were satisfied in December 2016 with the completion of the additional debt financing.

Key terms of the Amendments include: (a) two-year additional non-competition covenants from the Gamesys group (to April 2019; previous covenants expiring in April 2017); (b) five-year extension of terms of the operating agreements (to April 2030; previously expiring in 2025), with a corresponding extension of the term of the content licensing agreement (to April 2040); and (c) aggregate cap of £375 million (excluding any interest) on Intertain's aggregate earn-out obligations (previously uncapped). In connection with the Amendments, Intertain also agreed to pay the Gamesys group an aggregate of £24 million, which amount shall be paid in equal monthly instalments in arrears over the period from April 2017 to April 2020.

In October 2016 and December 2016, the Credit Agreement (as defined below) was amended and restated to establish the Incremental First Lien Facility (as defined below), permit the incurrence of the Second Lien Facility (as defined below), and permit the £150 million pre-payment of Intertain's earn-out obligations regarding the Jackpotjoy and Starspins brands.

On 16 December 2016, we raised additional debt financing in an aggregate sterling equivalent amount of £160 million, comprised of: (i) a sterling equivalent £70 million incremental first lien term loan, and (ii) a £90 million second lien term loan facility. Proceeds from the additional debt financing were used to fund a £150 million pre-payment to Gamesys in respect of Intertain's earn-out obligations regarding the Jackpotjoy and Starspins brands. This pre-payment to Gamesys also made effective the Amendments to the long-term operating agreements and other agreements with the Gamesys group.



Reflecting on Intertain's 2016 full year results, the numbers continue to demonstrate the quality and performance of our business segments, and that the fundamentals of our business are strong.

2016 revenues were earned from operational activities of Jackpotjoy, Vera&John and Mandalay, together with income generated from one-off sources from the Amaya revenue guarantee (the "Revenue Guarantee") and platform migration. All together we realised an increase of 15% in revenues year-on-year (reflecting full periods, not only the periods in which Intertain owned each brand), as revenues rose from £234.9 million to £269.0 million.

Turning to the cash flow statement, we had a record £83.0 million of operating cash flows in 2016. Excluding exceptional or one-time items (such as transaction-related costs paid or severance payments), our Adjusted EBITDA (a non-IFRS measure) to operating cash flow conversion rate was 101%. Including exceptional or one-time items our adjusted EBITDA to operating cash flow conversion rate was 81%. We expect to maintain a high level of cash conversion going forward.

Management recognised the importance of providing a clear understanding of the primary metrics we use to evaluate the success of our businesses, and to that end implemented KPIs that would act as meaningful indicators of our ability to acquire and retain customers, and realize real money gaming operational results and real money gaming revenue.

All KPIs experienced an increase in 2016: 15% for Average Customers; 20% for Real Money Gaming Revenue; 20% for Average Real Money Gaming Revenue per Month; and Monthly Real Money Gaming Revenue per Average Active Customers increased by 4%.

## **Strategy**

Looking ahead to 2017, our financial goals are firmly focused on maximizing cash flows from our subsidiaries to de-lever the business.

Our business development plan for the coming year is built around four specific opportunities to deliver further growth and builds on our leading market position and loyal customer base.

### **1. Increasing market share**

We operate in large, stable, and growing markets, the majority of which are regulated. Our strong presence in our core bingo-led markets and our sizable liquidity mean that there are still significant opportunities for growth within our existing footprint. We are also focused on organic growth within our leading brand portfolios through organic game launches and marketing campaigns.

### **2. Targeted marketing campaigns**

Our key brands all benefited from the high-profile marketing campaigns we ran in 2016. Not only did the campaigns drive strong brand recognition, we were savvy in terms of offline and online media purchases in our core markets. Our core female demographic has exhibited a high level of responsiveness to these campaigns.

### **3. Cross-selling opportunities**

Our customer base has increasingly shown an inclination to play across multiple platforms. Bingo-focused players, by way of example, also often choose to play casino-based games. The number of users playing games on both mobile and desktop or laptop computers has risen substantially since 2014, and we intend to cross-sell across core platforms to take advantage of this trend.



#### **4. Product development focusing on mobile offerings**

The online gaming market has undergone a transition in player engagement in recent years, from desktop to mobile devices, and the pace is expected to increase whereby mobile devices will become the preferred platform for online bingo and casino gaming. Our gaming platforms have been developed across devices and we plan to continue to develop our mobile base to significantly enhance customer value and satisfaction. We will also continue to develop mobile offerings through platform enhancements across each of our business segments: Jackpotjoy, Vera&John and Mandalay.

To summarise, we are confident that our strong portfolio of brands will continue to deliver good organic growth driven by our ongoing success in attracting and retaining customers. I look forward to updating you further on our progress throughout the year ahead.

Andrew McIver  
Chief Executive Officer  
29 March 2017

## Chief Financial Officer's Review

### Income Statement

The balances below have been translated from CAD to GBP in accordance with IFRS, using average foreign exchange rate in effect during the years ended December 31, 2016 and 2015 (\$:£ – 0.56 and 0.51, respectively). Intertain's 31 December 2016 and 2015 consolidated statements of comprehensive income, consolidated balance sheets, and consolidated statement of cash flows reported in GBP are contained in this release, under the title "31 December 2016 and 2015 Results Reported in GBP". Refer to Intertain's published 2016 Consolidated Financial Statements for CAD equivalents.

### Revenue

Total revenue for the years ended 31 December 2016 and 2015 was £269.0 million and £194.6 million, respectively. The increase in revenue in comparison with the year ended 31 December 2015 predominantly relates to revenue earned by Jackpotjoy, which was acquired at the beginning of Q2 2015. Higher revenue was also driven by stronger period over period performance in all segments in their functional currencies. Partially offsetting this was a net decrease of £7.7 million in other income, from the Revenue Guarantee and platform migration revenue.

### Costs and expenses

As at 31 December	Year ended 2016 (£000's)	Year ended 2015 (£000's)
<b>Expenses:</b>		
Distribution costs	130,735	101,364
Administration costs	96,200	76,713
Severance costs	5,695	—
Transaction related costs	22,767	30,321
Goodwill impairment	—	18,104
	255,397	226,502

### Distribution costs

As at 31 December	Year ended 2016 (£000's)	Year ended 2015 (£000's)
Selling and marketing	46,747	43,560
Licensing fees	42,653	30,512
Gaming taxes	29,767	19,277
Processing fees	11,568	8,015
	130,735	101,364

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 Mandalay and Jackpotjoy to operate on their respective platforms and game suppliers' fees for Vera&John and Jackpotjoy. Gaming taxes largely consist of POC tax, which is a 15% tax on Real Money Gaming Revenue 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 year ended 31 December 2016 is primarily due to the increase in net gaming revenues. The increase in distribution costs for the year ended 31 December 2016 also relates to Jackpotjoy brands being owned for the full year in 2016, rather than a partial period in the prior period (as the brands were acquired on 8 April 2015).

### Administrative costs

As at 31 December	Year ended 2016 (£000's)	Year ended 2015 (£000's)
Compensation and benefits	29,486	19,782
Professional fees	3,740	1,663
General and administrative	6,838	4,290
Amortization	56,136	50,978
	<b>96,200</b>	<b>76,713</b>

Compensation and benefits costs consist of salaries, wages, bonuses, directors' fees, benefits and share-based compensation expense. The increase in the year ended 31 December 2016 compared to 2015 is due to the addition of compensation expenses related to the Jackpotjoy segment, staff additions in other business units, salary increases, as well as operational bonuses paid out during the year. This is partially offset by a decrease in share-based compensation.

Professional fees consist of legal fees, audit fees, and Independent Committee (as defined below) related expenses. As a result of a self-identified short-seller of Intertain's common shares issuing a report on the Group in Q4 2015, Intertain's board established a committee of non-management directors (the "Independent Committee") to closely review the allegations contained within the report. On 22 February 2016, the Independent Committee completed its review and concluded that the allegations and innuendos of the short seller, related to the quality and financial performance of the underlying businesses of Intertain, were grossly erroneous. Costs related to the Independent Committee's review for the year ended 31 December 2016 amounted £1.7 million and are included in professional fees. These costs largely account for the increase in professional fees during the year ended 31 December 2016.

General and administrative expenses consist of items, such as rent and occupancy, travel and accommodation, insurance, listing fees, technology and development costs, and other office overhead charges. The increase in expenses for the year ended 31 December 2016 compared to the prior year relates to the addition of the operating activities of Jackpotjoy, which was owned for the full year in 2016, rather than for a partial period in 2015, as well as slightly higher overheads.

Amortisation consists of depreciation of the Group's tangible and intangible assets over their useful lives. As a result of finite intangible assets recognized from the Jackpotjoy acquisition, amortisation expense increased compared to the same period in 2015.

### Severance costs

In connection with his resignation as CEO, John FitzGerald was granted a final severance payment of approximately £5.7 million under the terms of his employment agreement which was completed in Q2 2016.

## Transaction related costs

Transaction related costs consist of legal, professional, underwriting, due diligence, and special committee fees; bonuses paid to management; 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 the UK strategic initiatives. The decrease in transaction related costs in the year ended 31 December 2016 in comparison with 2015 relates to the fact that the Group incurred significant transaction costs due to the Jackpotjoy acquisition in Q2 2015. Transaction related costs included in the year ended 31 December 2016 related mostly to the UK strategic review.

## Business unit results

*Balances below reflect results for full periods, rather than only the periods, in which Intertain owned each brand, to be more accurately comparable to prior period balances and are stated in the functional currency of the applicable operating entity to provide a more comparable analysis that is not impacted by foreign exchange rate fluctuations.*

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

### Jackpotjoy

	YE 2016 £(millions)	YE 2015 £(millions)	Variance £(millions)	Variance %
Revenue	188.2	161.3	26.9	17%
Distribution costs	88.0	83.4	4.6	6%
Administration costs*	15.5	14.5	1.0	7%
Current tax	—	0.3	(0.3)	—
Adjusted Net Income	84.7	63.1	21.6	34%

\*Excludes amortisation expense of purchase price intangible assets.

Revenue for the Jackpotjoy segment increased year-on-year due to organic growth in all brands. Jackpotjoy UK real money revenue accounted for 70% of the Jackpotjoy segment's revenue for the year ended 31 December 2016. Revenue further increased as a result of triple digit growth year-on-year in both the Starspins and Botemania brands, which collectively accounted for 15% of this segment's revenue. The sharp increase in revenues from the Starspins and Botemania brands is a result of Starspins mobile launches in Q3 2015 and Botemania slots launch in Q2 2016.

### Vera&John

	YE 2016 €(millions)	YE 2015 €(millions)	Variance €(millions)	Variance %
Revenue*	69.7	58.1	11.6	20%
Distribution costs	34.7	37.1	(2.4)	(6%)
Administration costs**	16.3	12.4	3.9	31%
Current tax	0.5	1.0	(0.5)	(50%)
Deferred tax	(0.4)	(0.7)	0.3	(43%)
Adjusted Net Income*	18.6	8.3	10.3	124%

\*Excludes income earned from Revenue Guarantee and platform migration fees. In the year ended 31 December 2016, €2.7 million, (2015 –€13.5 million, respectively) was earned from Revenue Guarantee and platform migration fees.

\*\*Excludes amortization expense of purchase price intangible assets.

The increase in gaming revenue year-on-year relates to continued organic growth in existing markets where Vera&John's brands operate. The introduction of flexible deposit limits and steady growth in revenue per customer has helped drive organic growth.

Other distribution costs, such as game suppliers and payment providers' costs changed proportionally with revenue. Selling and marketing costs did not move proportionally with revenue. These costs decreased by 20% year-on-year, which can be partly attributed to UK marketing spending occurring in the prior periods. Increases in administration costs year-on-year were mainly driven by the InterCasino brand migration, as well as increases in personnel and office related costs as the segment continues to grow.

## Mandalay

	YE 2016 £(millions)	YE 2015 £(millions)	Variance £(millions)	Variance %
Revenue	21.7	21.5	0.2	1%
Distribution costs	14.1	11.9	2.2	18%
Administration costs*	1.0	1.0	—	—
Adjusted Net Income	6.6	8.6	(2.0)	(23%)

\*Excludes amortization expense of purchase price intangible assets.

There was a £0.2 million increase in revenues, year-on-year primarily relating to the addition of new slot and bingo skins as well as enhanced performance of the flagship Costa Bingo brand. The increase in distribution costs year-on-year relates to greater general marketing spending, the continuation of the Costa Bingo television campaign which was launched in Q2, as well as increases in royalties paid to 888 and POC taxes, which increase proportionally to revenue.

## Statement of financial position

The balances below have been translated from CAD to GBP in accordance with IFRS, using spot rates at 31 December 2016 and 2015 (\$:£ – 0.60 and 0.49, respectively). Intertain's 31 December 2016 and 2015 consolidated statements of comprehensive income, consolidated balance sheets, and consolidated statement of cash flows reported in GBP are contained in this release, under the title "31 December 2016 and 2015 Results Reported in GBP". Refer to Intertain's published 2016 Consolidated Financial Statements for CAD equivalents.

	31 December 2016 (£000's)	31 December 2015 (£000's)	Variance (£000's)
Total current assets	139,027	63,865	75,162
Total non-current assets	652,301	674,291	(21,990)
Total assets	791,328	738,156	53,172
Total current liabilities	154,859	54,277	100,582
Total non-current financial liabilities	397,050	394,846	2,204
Total liabilities	551,909	449,123	102,786

The £38.4 million increase in current assets (excluding the cash movement of £36.7 million) since 31 December 2015 largely relates to a £37.4 million increase in the current portion of the currency swap.

Current assets additionally increased as follows:

- Customer deposits increased by £2.1 million.
- Prepaid expenses increased by £0.2 million.

These increases were partially offset by the following:

- Receivables decreased by £0.8 million, which is primarily attributed to the expiry of the Revenue Guarantee agreement with Amaya during the first quarter of 2016.
- Taxes receivable decreased by £0.5 million due to tax refunds received during the year.

The decrease in non-current assets of £22.0 million since 31 December 2015 mainly relates to amortization of the intangible assets of £56.0 million, a £4.0 million decrease related to the reclassification of the non-current portion of the currency swap to current assets. The decrease was partially offset by £22.4 million of additions to intangible assets, relating to a capitalized non-compete covenants (£20.5 million) and software development (£1.9 million). The decrease was further offset by translation on foreign currency intangible assets and goodwill of £5.7 million and £8.0 million, respectively, as well as a £1.3 million increase in other long term receivables and a £0.6 million increase in tangible assets.

The increase in current liabilities of £100.6 million since 31 December 2015 largely relates to the following:

- The reclassification of part of the Jackpotjoy contingent consideration from long-term to current as well as the increase of its fair value for a total increase of £80.9 million.
- An increase of £2.8 million in accounts payable mainly driven by a switch to a new affiliate system, as well as a £14.8 million increase in other short-term payables due to accruals for transaction related costs (£8.8 million) and current portion of the payable related to the Gamesys group non-compete covenants (£6.0 million).
- An increase in interest payable of £0.6 million and £2.1 million increase in payable to customers.
- A £1.5 million increase of the current portion of long-term debt due to foreign exchange rate fluctuations.

These increases were partially offset by a £2.1 million decrease in provision for taxes relating to payments made in the period.

The increase in non-current liabilities of £2.2 million since 31 December 2015 was mainly driven by a £162.1 million increase in long-term debt due to additional debt obtained and changes in foreign exchange rates, and an increase of £14.5 million related to the non-compete covenants. These increases were substantially offset by a £170.3 million decrease in contingent consideration related to changes in foreign exchange rates, fair value adjustments, the £150 million pre-payment to Gamesys, and the re-classification to current portion, a £4.0 million decrease in convertible debentures due to partial conversion, and a £0.1 million decrease in the deferred tax liability.

### **Liquidity and Capital Resources**

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

Liquidity risk arises from Intertain's ability to meet its financial obligations as they become due. The following table summarizes Intertain's undiscounted financial liabilities and undiscounted (probability weighted) contractual obligations as of 31 December 2016:

	<b>On demand</b>	Less than 1 year	<b>1-2 years</b>	3-4 years	<b>5 years and over</b>
	<b>(£000's)</b>	(£000's)	<b>(£000's)</b>	(£000's)	<b>(£000's)</b>
Accounts payable and accrued liabilities	<b>8,991</b>	—	—	—	—
Other short term payables	<b>9,321</b>	6,000	—	—	—
Payable to customers	<b>8,573</b>	—	—	—	—
Contingent consideration	—	89,386	<b>33,602</b>	3,750	—
Convertible debentures	—	—	<b>3,585</b>	—	—
Long-term debt	—	26,695	<b>53,390</b>	53,390	<b>254,929</b>
Other long-term liabilities	—	—	<b>16,000</b>	2,000	—
Provision for taxes	—	7,743	—	—	—
	<b>26,885</b>	129,824	<b>106,577</b>	59,140	<b>254,929</b>

Intertain manages liquidity risk by monitoring actual and forecasted cash flows in comparison with the maturity profiles of financial assets and liabilities. Intertain 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, amortization and interest payments related to the First Lien Facilities (as defined below) and the Second Lien Facility. Management believes that the cash generated from Intertain'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 Intertain operates. Intertain 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 amortization payments and 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 realize 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, or the Second Lien Credit Agreement.

As at 31 December 2016, Intertain believes it will be able to fund the Jackpotjoy earn-out payment (and all other future obligations) through internally generated cash. Subject to meeting certain



financial covenants, Intertain may have the ability to draw on the US\$17.5 million Revolving Facility (as defined below) as a further capital resource.

### **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 recognized at fair value of a similar liability that does not have an equity conversion option and the residual amount was recognized as a reserve in equity. The Convertible Debentures are, following the listing of Jackpotjoy plc in January 2017, convertible at the holder’s option into Jackpotjoy plc ordinary shares at a conversion price of CAD 6.00 per share at any time prior to maturity. During year ended 31 December 2016, Convertible Debentures at par value of CAD 11.1 million were converted into 1,853,667 common shares of Intertain. The remaining Convertible Debentures mature on 31 December 2018.

### **First Lien Facilities and Second Lien Facility**

On 8 April 2015, Intertain entered into a credit agreement (as amended and restated from time to time, including on October 27, 2016 and December 16, 2016, the “Credit Agreement”) in respect of: (i) a seven-year US\$335.0 million first-lien term loan credit facility (the “Term Loan”); and (ii) a US\$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 a plan of arrangement which would help facilitate the implementation of Intertain’s comprehensive UK-centered strategic initiatives. On 16 December 2016, the Credit Agreement was further amended and restated to, among other things, establish a £53.3 million 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 US\$ 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. 31 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 realized 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, among 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.

Intertain was in compliance with the covenants contained in the Credit Agreement and Second Lien Credit Agreement as at 31 December 2016.

## Cash flow

*The balances below have been translated from CAD to GBP in accordance with IFRS, using average foreign exchange rates in effect during the years ended 31 December 2016 and 2015 (\$:£ – 0.56 and 0.51, respectively). Intertain's 31 December 2016 and 2015 consolidated statements of comprehensive income, consolidated balance sheets, and consolidated statement of cash flows reported in GBP are contained in this release, under the title "31 December 2016 and 2015 Results Reported in GBP". Refer to Intertain's published 2016 Consolidated Financial Statements for CAD equivalents.*

	Year ended 2016 (£000's)	Year ended 2015 (£000's)
As at 31 December		
Operating activity	83,006	22,836
Financing activity	(44,874)	350,560
Investing activity	(2,500)	(358,080)

### Operating Activity

Cash provided by operating activities during the year ended 31 December 2016 relates to cash generated from the operational activities of Mandalay, Vera&John and Jackpotjoy. For the year ended 31 December 2016, this balance increased from the same period in the prior year, as the Jackpotjoy brands were acquired during Q2 2015 and cash used for transaction related activities decreased year-on-year.

### Financing Activity

Cash used in financing activities for the year ended 31 December 2016 relates mainly to the following transactions:

- £156.3 million payment of contingent consideration.
- £24.3 million in principal debt repayments (net of proceeds from cross currency swap of £2.6 million).
- £16.5 million in interest payments (net of proceeds from cross currency swap of £1.0 million).

This decrease was substantially offset by £150.7 million in proceeds from long term debt and £1.5 million from the exercise of options and warrants.

### Investing Activity

Cash used in investing activities during the year ended 31 December 2016 was £2.5 million respectively, and relates to the purchase of tangible and internally generated intangible assets.

## 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 Intertain’s brands. Intertain 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 Intertain’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. Intertain defines Real Money Gaming Revenue as being revenue less revenue earned from the Revenue Guarantee, affiliate websites and social gaming (“Real Money Gaming Revenue”). Intertain defines Average Real Money Gaming Revenue per month as Real Money Gaming Revenue per month, averaged over a twelve-month period (“Average Real Money Gaming Revenue per month”). While these measures are not recognised by IFRS, management believes that they are meaningful indicators of Intertain’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 Intertain’s ability to generate Real Money Gaming Revenue on a per customer basis. Intertain defines 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 (“Monthly Real Money Gaming Revenue per Average Active Customer”). While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of Intertain’s ability to generate Real Money Gaming Revenue.

	Year ended 2016	Year ended 2015 <sup>3</sup>	Variance	Variance %
Average Active Customers per month (#)	235,584	204,073	31,511	15%
Real Money Gaming Revenue (£000)*	243,042	202,266	40,776	20%
Average Real Money Gaming Revenue per month (£000)	20,254	16,855	3,399	20%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	86	83	3	4%

\*Total Real Money Gaming Revenue for the year ended 31 December 2016 consists of total revenue less revenue earned from the Revenue Guarantee and platform migration income of £2.1 million (31 December 2015 - £9.8million), revenue earned from affiliate websites and social gaming revenue of £23.9 million (31 December 2015 - £22.7 million).

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

## Outstanding Share Data

As at 28 March 2017, the Group has a total of 19,564,276 exchangeable shares issued and outstanding and approximately CAD 2.2 million principal amount of Convertible Debentures outstanding.

**31 DECEMBER 2016 AND 2015 RESULTS REPORTED IN GBP**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME<sup>9</sup>**

	Year ended 31 December 2016 (£000's)	Year ended 31 December 2015 (£000's)
<b>Revenue and other income</b>		
Gaming revenue	266,938	184,791
Other income earned from revenue guarantee	1,181	9,826
Other income earned from platform migration	925	–
<b>Total revenue and other income</b>	<b>269,044</b>	<b>194,617</b>
<b>Costs and expenses</b>		
Distribution costs	130,735	101,364
Administrative costs	96,200	76,713
Severance costs	5,695	–
Transaction related costs	22,767	30,321
Goodwill impairment	–	18,104
Foreign exchange loss	3,098	666
<b>Total costs and expenses</b>	<b>258,495</b>	<b>227,168</b>
<b>Gain on sale of intangible assets</b>	–	(228)
Debenture settlement expense	–	3,020
Fair value adjustments on contingent consideration	49,382	59,650
Unrealized gain on cross currency swap	(34,070)	(4,770)
Interest income	(156)	(317)
Interest expense	36,100	24,365
<b>Financing expenses</b>	<b>51,256</b>	<b>81,948</b>
<b>Net loss for the year before taxes</b>	<b>(40,707)</b>	<b>(114,271)</b>
Current tax provision	347	997
Deferred tax recovery	(411)	(456)
<b>Net loss for the year</b>	<b>(40,643)</b>	<b>(114,812)</b>

<sup>9</sup> The balances in the statement of comprehensive income have been translated from CAD to GBP in accordance with IFRS, using average foreign exchange rate in effect during the years ended 31 December 2016 and 2015 (\$:£ – 0.56 and 0.51, respectively). Refer to Intertain's published 2016 Consolidated Financial Statements for CAD equivalents.

**OTHER COMPREHENSIVE INCOME/(LOSS)<sup>9</sup>**

	Year ended 31 December 2016 (£000's)	Year ended 31 December 2015 (£000's)
<b>Items that will or may be reclassified to profit or loss in subsequent periods</b>		
Foreign currency translation gain/(loss)	(39,595)	34,263
Gain on foreign exchange forward	–	1,544
Reclassification of gain on foreign exchange forward	–	(1,544)
<b>Total comprehensive loss for the year</b>	<b>(80,238)</b>	<b>(80,549)</b>
<b>Net loss for the year per share</b>		
Basic	£(0.57)	£(1.88)
Diluted	£(0.57)	£(1.88)

**CONSOLIDATED BALANCE SHEETS<sup>10</sup>**

	Year ended 31 December 2016 (£000's)	Year ended 31 December 2015 (£000's)
<b>Assets</b>		
<b>Current assets</b>		
Cash	68,485	31,762
Restricted cash	253	175
Prepaid expenses	967	765
Customer deposits	8,573	6,522
Receivables	15,746	16,504
Current portion of cross currency swap	38,171	762
Taxes receivable	6,832	7,375
<b>Total current assets</b>	<b>139,027</b>	<b>63,865</b>
<b>Non-current assets</b>		
Tangible assets	852	233
Intangible assets	352,473	380,443
Goodwill	296,352	288,326
Cross currency swap	–	3,972
Other long-term receivables	2,624	1,317
<b>Total non-current assets</b>	<b>652,301</b>	<b>674,291</b>
<b>Total assets</b>	<b>791,328</b>	<b>738,156</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	8,991	6,235
Other short-term payables	15,321	530
Interest payable	633	–
Payable to customers	8,573	6,522
Current portion of long-term debt	26,695	25,160
Current portion of contingent consideration	86,903	5,996
Provision for taxes	7,743	9,834
<b>Total current liabilities</b>	<b>154,859</b>	<b>54,277</b>
<b>Non-current liabilities</b>		
Contingent consideration	33,284	203,629
Other long-term liabilities	14,505	–
Deferred tax liability	1,897	1,953
Convertible debentures	3,266	7,266
Long-term debt	344,098	181,998
<b>Total non-current liabilities</b>	<b>397,050</b>	<b>394,846</b>
<b>Total liabilities</b>	<b>551,909</b>	<b>449,123</b>
<b>Equity</b>		
Shareholders' equity	239,419	289,033
<b>Total equity</b>	<b>239,419</b>	<b>289,033</b>
<b>Total liabilities and equity</b>	<b>791,328</b>	<b>738,156</b>

<sup>10</sup> The balances in the consolidated balance sheets have been translated from CAD to GBP in accordance with IFRS, using the spot foreign exchange rates in effect as at 31 December 2016 and 2015 (\$:£ -- 0.60 and 0.49, respectively). Refer to Intertain's published 2016 Consolidated Financial Statements for CAD equivalents.



**CONSOLIDATED STATEMENTS OF CASH FLOWS<sup>11</sup>**

	Year ended 31 December 2016 (£000's)	Year ended 31 December 2015 (£000's)
<b>Operating activities</b>		
Net loss for the year	(40,643)	(114,812)
<i>Add (deduct) items not involving cash</i>		
Amortization	56,134	50,960
Share-based compensation expense	2,264	2,913
Tax provision	347	997
Deferred tax recovery	(411)	(455)
Interest expense, net	35,944	24,303
Gain on sale of intangible assets	–	(212)
Fair value adjustments on contingent consideration	49,382	59,650
Debt settlement expense	–	2,810
Unrealized gain on cross currency swap	(34,070)	(4,770)
Goodwill impairment	–	18,105
Foreign exchange	3,098	668
	<b>72,045</b>	<b>40,157</b>
<b>Change in non-cash operating items</b>		
Prepaid expenses	73	(375)
Receivables	3,361	(11,160)
Other long term receivables	(1,161)	(1,409)
Accounts payable and accrued liabilities	1,851	(683)
Other short-term payables	7,987	(3,187)
	<b>84,156</b>	<b>23,343</b>
<b>Cash provided by operating activities</b>		
Income taxes paid	(6,680)	(507)
Incomes taxes received	5,530	–
	<b>83,006</b>	<b>22,836</b>
<b>Financing activities</b>		
Restriction of cash balances	–	15
Proceeds from exercise of warrants	209	1,792
Proceeds from exercise of options	1,286	22
Proceeds from issuance of common shares, net	–	236,894
Normal course issuer bid	–	(16,315)
Proceeds from long-term debt	150,726	204,703
Proceeds from cross currency swap	3,645	–
Debt redemption	–	(27,798)
Bridge loan redemption	–	(5,118)
Vendor take-back loans – repayment	–	(6,884)
Interest repayment	(17,526)	(12,623)
Payment of contingent consideration	(156,308)	(13,167)
Principal payments made on long-term debt	(26,906)	(10,961)
	<b>(44,874)</b>	<b>350,560</b>
<b>Total cash (used in)/provided by financing activities</b>		

<b>Investing activities</b>		
Purchase of tangible assets	(638)	(144)
Purchase of intangible assets	(1,862)	(1,097)
Proceeds from sale of intangible assets	–	220
Cash paid to acquire license	–	(1,470)
Business acquisitions, net of cash acquired	–	(355,589)
<b>Total cash used in investing activities</b>	<b>(2,500)</b>	<b>(358,080)</b>
<b>Net increase in cash during the period</b>		
Cash, beginning of the period	31,762	17,294
Exchange loss on cash and cash equivalents	1,091	(848)
<b>Cash, end of period</b>	<b>68,485</b>	<b>31,762</b>

<sup>11</sup> The balances in the consolidated statements of cash flow have been translated from CAD to GBP in accordance with IFRS, using a combination of quarterly average, annual average, and spot rates in effect during each respective period. Quarterly average exchange rates were used to convert changes items not involving cash. Average annual exchange rates were used to convert cash provided by/(used in) operating activities, financing activities, and investing activities. Spot rates were used to convert cash balances, beginning of the period and cash balances, end of period. Average foreign exchange rate in effect during the years ended December 31, 2016 and 2015 (\$:£ – 0.56 and 0.51, respectively). Refer to The Intertain Group Limited's published 2016 Consolidated Financial Statements and MD&A for CAD equivalents.

## ADJUSTED MEASURES FOR FINANCIAL YEAR ENDED 31 DECEMBER 2016 AND 2015

The following tables highlight Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the four quarters and year ended 31 December 2016 and for the year ended 31 December 2015 and a reconciliation of Intertain's reported results to its adjusted measures.

### ADJUSTED MEASURES FOR FINANCIAL YEAR ENDED 31 DECEMBER 2016<sup>12</sup>

	Three month period ended 31 Mar 2016 (£000's)	Three month period ended 30 June 2016 (£000's)	Three month period ended 31 Sept 2016 (£000's)	Three month period ended 31 Dec 2016 (£000's)	Year ended 31 Dec 2016 (£000's)
<b>Revenue and other income</b>	<b>65,412</b>	64,278	<b>66,368</b>	72,986	<b>269,044</b>
<b>Net loss for the period</b>	<b>5,073</b>	(14,873)	<b>(18,579)</b>	(12,264)	<b>(40,643)</b>
Interest expense, net	<b>8,349</b>	8,360	<b>9,110</b>	10,125	<b>35,944</b>
Taxes	<b>199</b>	13	<b>(231)</b>	(45)	<b>(64)</b>
Amortization	<b>12,977</b>	14,129	<b>14,453</b>	14,574	<b>56,133</b>
<b>EBITDA</b>	<b>26,598</b>	7,629	<b>4,753</b>	12,390	<b>51,370</b>
Share-based compensation	<b>298</b>	248	<b>957</b>	761	<b>2,264</b>
Debt settlement expense	—	—	—	—	—
Severance costs	—	5,695	—	—	<b>5,695</b>
Fair value adjustment on contingent consideration <sup>13</sup>	<b>1,673</b>	17,277	<b>14,549</b>	15,883	<b>49,382</b>
Goodwill impairment <sup>14</sup>	—	—	—	—	—
Gain on sale of intangible assets	—	—	—	—	—
Independent Committee related expenses	<b>1,693</b>	—	—	—	<b>1,693</b>
Gain on cross currency swap	<b>(4,030)</b>	(14,231)	<b>(5,693)</b>	(10,116)	<b>(34,070)</b>
Transaction related costs <sup>15</sup>	<b>1,298</b>	4,866	<b>10,414</b>	6,189	<b>22,767</b>
Foreign exchange	<b>521</b>	1,994	<b>591</b>	(8)	<b>3,098</b>
<b>Adjusted EBITDA<sup>16</sup></b>	<b>28,051</b>	23,478	<b>25,571</b>	25,099	<b>102,199</b>
<b>Net loss for the period</b>	<b>5,073</b>	(14,873)	<b>(18,579)</b>	(12,264)	<b>(40,643)</b>
Share-based compensation	<b>298</b>	248	<b>957</b>	761	<b>2,264</b>
Debt settlement expense	—	—	—	—	—
Severance cost	—	5,695	—	—	<b>5,695</b>
Fair value adjustment on contingent consideration <sup>13</sup>	<b>1,673</b>	17,277	<b>14,549</b>	15,883	<b>49,382</b>
Goodwill impairment <sup>14</sup>	—	—	—	—	—
Gain on sale of intangible assets	—	—	—	—	—
Independent Committee related expenses	<b>1,693</b>	—	—	—	<b>1,693</b>
Gain on cross currency swap	<b>(4,030)</b>	(14,231)	<b>(5,693)</b>	(10,116)	<b>(34,070)</b>
Transaction related costs <sup>15</sup>	<b>1,298</b>	4,866	<b>10,414</b>	6,189	<b>22,767</b>
Foreign exchange	<b>521</b>	1,994	<b>591</b>	(8)	<b>3,098</b>
Amortization of acquisition related purchase price intangibles	<b>12,873</b>	14,004	<b>14,288</b>	14,340	<b>55,505</b>
Accretion	<b>4,036</b>	4,159	<b>4,650</b>	5,012	<b>17,857</b>
<b>Adjusted net income<sup>17</sup></b>	<b>23,435</b>	19,139	<b>21,177</b>	19,797	<b>83,548</b>
<b>Diluted net loss per share<sup>1</sup></b>	<b>£0.07</b>	£ (0.21)	<b>£ (0.26)</b>	£ (0.17)	<b>£ (0.57)</b>
<b>Diluted adjusted net income per share<sup>18</sup></b>	<b>£0.32</b>	£0.26	<b>£0.29</b>	£0.27	<b>£1.13</b>

**ADJUSTED MEASURES FOR FINANCIAL YEAR ENDED 31 DECEMBER 2015<sup>12</sup>**

	Year ended 31 December 2015
	(£000's)
<b>Revenue and other income</b>	<b>194,617</b>
<b>Net loss for the period</b>	<b>(114,812)</b>
Interest expense, net	24,048
Taxes	541
Amortization	50,978
<b>EBITDA</b>	<b>(39,245)</b>
Share-based compensation	2,913
Debt settlement expense	3,020
Severance costs	—
Fair value adjustment on contingent consideration <sup>13</sup>	59,650
Goodwill impairment <sup>14</sup>	18,104
Gain on sale of intangible assets	(228)
Independent Committee related expenses	—
Gain on cross currency swap	(4,770)
Transaction related costs <sup>15</sup>	30,321
Foreign exchange	666
<b>Adjusted EBITDA<sup>16</sup></b>	<b>70,431</b>
<b>Net loss for the period</b>	<b>(114,812)</b>
Share-based compensation	2,913
Debt settlement expense	3,020
Severance cost	—
Fair value adjustment on contingent consideration <sup>13</sup>	59,650
Goodwill impairment <sup>14</sup>	18,104
Gain on sale of intangible assets	(228)
Independent Committee related expenses	—
Gain on cross currency swap	(4,770)
Transaction related costs <sup>15</sup>	30,321
Foreign exchange	666
Amortization of acquisition related purchase price intangibles	50,643
Accretion	10,658
<b>Adjusted net income<sup>17</sup></b>	<b>56,165</b>
<b>Diluted net loss per share<sup>1</sup></b>	<b>£ (1.88)</b>
<b>Diluted adjusted net income per share<sup>18</sup></b>	<b>£0.87</b>

**ADJUSTED RESULTS BY SEGMENT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2016<sup>12</sup>**

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)
<b>Revenue and other income</b>	<b>188,180</b>	<b>59,119</b>	<b>21,745</b>
Distribution costs	88,082	28,349	14,039
Administration costs <sup>20</sup>	15,519	12,750	1,099
<b>Adjusted EBITDA</b>	<b>84,579</b>	<b>18,020</b>	<b>6,607</b>
Amortisation and depreciation	—	614	—
Taxes	—	(64)	—
Interest expense, net <sup>21</sup>	—	(83)	6
<b>Adjusted net income<sup>17</sup></b>	<b>84,579</b>	<b>17,553</b>	<b>6,601</b>

**ADJUSTED RESULTS BY SEGMENT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2015<sup>12</sup>**

	Jackpotjoy <sup>3</sup> (£000's)	Vera&John (£000's)	Mandalay (£000's)
<b>Revenue and other income</b>	<b>161,516</b>	<b>51,938</b>	<b>21,485</b>
Distribution costs	83,497	26,904	11,972
Administration costs <sup>20</sup>	14,511	8,624	964
<b>Adjusted EBITDA</b>	<b>63,508</b>	<b>16,410</b>	<b>8,549</b>
Amortisation and depreciation	—	320	—
Taxes	291	250	—
Interest expense, net <sup>21</sup>	—	(29)	12
<b>Adjusted net income<sup>17</sup></b>	<b>63,217</b>	<b>15,869</b>	<b>8,537</b>

<sup>12</sup> This release contains non-IFRS financial measures, which are noted where used. These non-IFRS financial measures are used because management believes that they provide additional useful information regarding ongoing operating and financial performance. Readers are cautioned that the non-IFRS financial measures are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be considered in isolation or construed to be alternatives to revenues and net income (loss) and comprehensive income (loss) for the period determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. 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.

<sup>13</sup> Fair value adjustments on contingent consideration recorded in 2016 relate to the Jackpotjoy acquisition. Fair value adjustments on contingent consideration recorded in 2015 relate to the Jackpotjoy, Mandalay, and InterCasino acquisitions.

<sup>14</sup> Goodwill impairment relates to the InterCasino segment, now presented as part of the Vera&John business segment.

<sup>15</sup> Transaction related costs consist of legal, professional, underwriting, due diligence, special committee fees and other direct costs/fees associated with transactions and acquisitions contemplated or completed, the strategic review undertaken by the Intertain's Board of Directors and the UK-centred strategic initiatives.

<sup>16</sup> Adjusted EBITDA, as defined by Intertain, is income before interest expense (net of interest income), income taxes, amortization, share-based compensation, severance costs, Independent Committee related expenses, gain on cross currency swap, debt settlement expense, fair value adjustments on contingent consideration, goodwill impairment, 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 goodwill impairment and share-based compensation eliminates non-cash items and the exclusion of severance costs, Independent Committee related expenses, gain on cross currency swap, debt settlement expense, 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.

<sup>17</sup> Adjusted Net Income, as defined by Intertain, 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 Intertain's underlying business performance. Adjusted Net Income is calculated by adjusting net income for accretion, amortization of acquisition related purchase price intangibles, share-based compensation, severance costs, Independent Committee related expenses, gain on cross currency swap, debt settlement expense, fair value adjustments on contingent consideration, goodwill impairment, transaction related costs, foreign exchange, and gain on sale of intangible assets. The exclusion of accretion, goodwill impairment and share-based compensation eliminates the non-cash impact and the exclusion of amortization of acquisition related purchase price intangibles, severance costs, Independent Committee related expenses, gain on cross currency swap, debt settlement expense, 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.

<sup>18</sup> Diluted Adjusted Net Income per share, as defined by Intertain, 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 Intertain's ability to analyse Adjusted Net Income on a diluted weighted average per share basis.

<sup>19</sup> Unallocated corporate costs include the results from activities such as acquisition negotiations, acquisition due diligence, UK strategic review, the raising of capital to fund acquisitions, payment of interest on existing debt and the reporting obligations of the parent public company.

<sup>20</sup> Administration costs exclude amortisation and depreciation.

<sup>21</sup> Interest expense is shown net of interest income and accretion.