JPJ Group plc

Management's Discussion and Analysis

[in pounds sterling, except where otherwise noted]

For the Three and Six Months Ended 30 June 2019

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

The following discussion and analysis provides a review of JPJ Group plc's results of operations, financial position and cash flows for the three and six months ended 30 June 2019. This MD&A has been prepared with an effective date of 13 August 2019 and should be read in conjunction with the information contained in JPJ Group plc's unaudited interim condensed consolidated financial statements and related notes for the three and six months ended 30 June 2019 (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 ('IASB'). The Consolidated Financial Statements and additional information regarding the business of the Group (as defined below) are available on SEDAR at www.sedar.com or on www.jpjgroup.com/investors.

For reporting purposes, JPJ Group 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 and references to 'USD' are to U.S. dollars.

All references to 'we', 'our', and the 'Group' refer to JPJ Group plc, together with its subsidiaries and consolidated operations controlled by it and its predecessors (as applicable in the circumstances).

Based on JPJ Group plc's Audit and Risk Committee's review and recommendation, the JPJ Group plc board of directors has approved this MD&A and the Consolidated Financial Statements for release.

About JPJ Group plc

JPJ Group plc is an online gaming holding company that was incorporated under the *Companies Act 2006* (England and Wales) on 29 July 2016. JPJ Group plc's registered office is located at 35 Great St. Helen's, London, United Kingdom.

The Group currently offers bingo, casino and other games to its customers using the Jackpotjoy, Starspins, Botemania, Vera&John, InterCasino, Solid Gaming and other brands. The Jackpotjoy, Starspins, and Botemania brands operate off proprietary software owned by the Gamesys group, the Group's principal B2B software and support provider. The Vera&John, InterCasino and Solid Gaming brands operate off proprietary software owned by the Group.

Corporate developments

For the six months ended 30 June 2019

On 12 March 2019, the Group completed the sale of its Mandalay business for consideration of £18.0 million. At 31 March 2019, £12.0 million of the consideration was received by the Group, with the remaining £6.0 million expected to be received in September 2019.

On 13 June 2019, the Group entered into a conditional agreement to acquire the business of Gamesys (Holdings) Limited, excluding sports brands and games, for a mixture of cash and new Group shares (the 'Gamesys Acquisition'). Total valuation of the Gamesys Acquisition is expected to amount to approximately £490.0 million, comprising of: (i) £250.0 million in cash, of which £175.0 million is to be funded by an add-on to the Group's existing Term Facilities and (ii) 33.7 million in newly issued shares, representing approximately £240.0 million. Completion of the Gamesys Acquisition is expected by 30 September 2019.

On 1 July 2019, the Group announced completion of syndication of the EUR equivalent of £175.0 million (being €196.0 million) additional term loan facility to be used to support the Gamesys Acquisition. The Group's new incremental term loan facility is fungible with the Group's existing EUR Term Facility.

Outlook

Trading in the second quarter has been in line with management's expectations and we remain confident in the full-year outlook. Our international markets are well-placed to continue to deliver strong growth and Jackpotjoy UK is set to pass the anniversary of the introduction of enhanced UK responsible gambling measures during the second half of 2019.

Selected financial information

As discussed on page 1 of this MD&A, the Group sold its Mandalay business in the period ended 31 March 2019 and it sold its social gaming business in the period ended 30 September 2018. All current period and 2018 comparative figures have been restated accordingly. Please see note 6 of the Consolidated Financial Statements, which sets out the comparative consolidated statement of comprehensive income for the Mandalay and social gaming businesses separately from the Group's continuing operations, for additional information.

Comparison of the three and six months ended 30 June 2019 and 2018

	Three month period ended 30 June 2019 (£000's)	Three month period ended 30 June 2018 (£000's)	**Six month period ended 30 June 2019 (£000's)**	Six month period ended 30 June 2018 (£000's)
Gaming revenue	**86,234**	74,953	**169,526**	148,961
Net (loss)/income for the period after taxes – continuing operations	**(2,733)**	7,860	**5,163**	(129)
Net (loss)/income for the period attributable to owners of the parent	**(2,075)**	7,311	**4,503**	(436)
Basic net (loss)/income per share – continuing operations	**£(0.04)**	£0.11	**£0.07**	£(0.00)
Diluted net (loss)/income per share – continuing operations	**£(0.04)**	£0.10	**£0.07**	£(0.00)
Basic net (loss)/income per share	**£(0.03)**	£0.10	**£0.06**	£(0.01)
Diluted net (loss)/income per share	**£(0.03)**	£0.10	**£0.06**	£(0.01)

Net loss/income

The Group's net loss of £2.7 million during the three months ended 30 June 2019 compared to a net income of £7.9 million in the same period in the prior year can be largely attributed to significantly higher transaction related costs (Q2 2019 – £11.1 million and Q2 2018 – £1.1 million) resulting from the Gamesys Acquisition expected to close in Q3 2019. This movement is partially offset by an increase in gaming revenue as well as the costs and expenses variances discussed below.

The Group's net income of £5.2 million during the six months ended 30 June 2019 compared to a net loss of £0.1 million in the same period in the prior year can be largely attributed to significantly lower fair value adjustments on contingent consideration (YTD 2019 – £0.5 million and YTD 2018 – £11.5 million) as well as lower accretion on financial liabilities (YTD 2019 – £0.7 million and YTD 2018 – £2.0 million), both of which are due to the fact that the final earn-out period ended in Q1 2018, leaving only the fair value adjustment on the remaining milestone payment to be recognised in the current period. This movement is offset by significantly higher transaction related costs (YTD 2019 – £12.2 million and YTD 2018 – £1.1 million) related to the Gamesys Acquisition. The remainder of the movement in the Group's net income/loss compared to the prior period is attributable to gaming revenue as well as the costs and expenses variances discussed below.

Gaming revenue

The Group's gaming revenue during the three months ended 30 June 2019 consisted of:

- £48.7 million in revenue earned from Jackpotjoy's[1] operational activities.
- £37.6 million in revenue earned from Vera&John's operational activities.

The Group's gaming revenue during the three months ended 30 June 2018 consisted of:

- £50.8 million in revenue earned from Jackpotjoy's[1,2] operational activities.
- £24.2 million in revenue earned from Vera&John's operational activities.

The increase in gaming revenue for the three months ended 30 June 2019 in comparison with the three months ended 30 June 2018 relates to organic growth[3] of the Vera&John segment, where gaming revenue increased by 55%.

The Group's gaming revenue during the six months ended 30 June 2019 consisted of:

- £97.7 million in revenue earned from Jackpotjoy's[1] operational activities.
- £71.8 million in revenue earned from Vera&John's operational activities.

The Group's gaming revenue during the six months ended 30 June 2018 consisted of:

- £103.6 million in revenue earned from Jackpotjoy's[1,2] operational activities.
- £45.4 million in revenue earned from Vera&John's operational activities.

The increase in gaming revenue for the six months ended 30 June 2019 in comparison with the six months ended 30 June 2018 relates to organic growth[3] of the Vera&John segment, where gaming revenue increased by 58%.

[1] *Excludes results from the Group's Mandalay business, which was sold during the three months ended 31 March 2019.*

[2] *Excludes results from the Group's social gaming business, which was sold during the three months ended 30 September 2018.*

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

Costs and expenses

	Three month period ended 30 June 2019 (£000's)	Three month period ended 30 June 2018 (£000's)	**Six month period ended 30 June 2019 (£000's)**	Six month period ended 30 June 2018 (£000's)
Distribution costs	**46,574**	36,556	**87,912**	74,727
Administrative costs	**26,152**	24,208	**52,775**	49,008
Severance costs	**—**	—	**—**	450
Transaction related costs	**11,086**	1,065	**12,201**	1,065
	83,812	61,829	**152,888**	125,250

Distribution costs

	Three month period ended 30 June 2019 (£000's)	Three month period ended 30 June 2018 (£000's)	**Six month period ended 30 June 2019 (£000's)**	Six month period ended 30 June 2018 (£000's)
Selling and marketing	**16,040**	12,672	**30,980**	26,611
Licensing fees	**12,394**	10,016	**23,425**	19,824
Gaming taxes	**12,317**	9,486	**22,290**	19,981
Processing fees	**5,823**	4,382	**11,217**	8,311
	46,574	36,556	**87,912**	74,727

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 Jackpotjoy segment to operate on its platforms and game suppliers' fees paid by both the Vera&John and Jackpotjoy segments. Gaming taxes largely consist of point of consumption taxes, payable in the regulated jurisdictions that the Group operates in. Variance in gaming taxes from prior periods relates to an increase in remote gaming duty from 15% to 21%, which came into effect in the UK in Q2 2019. Processing fees consist of costs associated with using payment providers and include payment service provider transaction and handling costs, as well as deposit and withdrawal fees. With the exception of selling and marketing expenses, distribution costs tend to be variable in relation to revenue.

The increase in distribution costs for the three and six months ended 30 June 2019 compared to the same periods in 2018 is mainly due to increased revenue in the Vera&John segment and increased marketing spend in the Jackpotjoy and Vera&John segments.

Administrative costs

	Three month period ended 30 June 2019 (£000's)	Three month period ended 30 June 2018 (£000's)	**Six month period ended 30 June 2019 (£000's)**	Six month period ended 30 June 2018 (£000's)
Compensation and benefits	**10,549**	7,050	**19,654**	14,579
Professional fees	**1,250**	779	**2,358**	2,049
General and administrative	**2,974**	2,616	**5,765**	4,926
Amortisation and depreciation	**11,379**	13,763	**24,998**	27,454
	26,152	24,208	**52,775**	49,008

Compensation and benefits costs consist of salaries, wages, bonuses, directors' fees, benefits and share-based compensation expense. The increase in these expenses for the three and six months ended 30 June 2019 compared to the same periods in 2018 is primarily due to additional staff hired as well as higher bonus accruals as the business continues to grow.

Professional fees consist mainly of legal, accounting and audit fees. The increase in professional fees for the three and six months ended 30 June 2019 compared to the same periods in 2018 can be attributed to professional advice obtained in relation to some of the Group's operational and corporate initiatives.

General and administrative expenses consist of items, such as travel and accommodation, insurance, listing authority fees, technology and development costs, and other office overhead charges. The increase in these costs for the three and six months ended 30 June 2019 compared to the same periods in 2018 can be attributed to higher office overhead costs.

Amortisation and depreciation expenses consist of amortisation of the Group's intangible assets and depreciation of the Group's tangible assets over their useful lives. The decrease in amortisation and depreciation in the three and six months ended 30 June 2019 is due to the fact that amortisation expense related to purchase price intangibles recognised in prior periods decreases with each passing period of their useful lives as a result of the amortisation method used. It further relates to the fact that the Group's non-compete clauses were fully amortised during the three months ended 31 March 2019. The decrease is marginally offset by additional depreciation recognised as a result of adoption of IFRS 16.

Transaction related costs

Transaction related costs consist of legal, professional, due diligence, other direct costs/fees associated with transactions and acquisitions or disposals contemplated or completed by the Group. The increase in transaction related costs in the three and six months ended 30 June 2019 compared to the same periods in 2018 relates to the Gamesys Acquisition.

For a further discussion of the variances on a segment basis, please refer to the information under the 'Summary of results by segment – continuing operations: Results by segment' section of this MD&A.

For a further discussion of income/(loss) from discontinued operations, please refer to note 6 of the Consolidated Financial Statements.

Non-IFRS financial measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide additional useful information regarding ongoing operating and financial performance. Readers are cautioned that the definitions are not recognised measures under IFRS, do not have standardised meanings prescribed by IFRS, and should not be considered in isolation or construed to be alternatives to revenues and net income/(loss) and comprehensive income/(loss) for the period determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities. Accordingly, our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions. For details regarding the reconciliations from these non-IFRS measures, refer to the information under the *'Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the three and six months ended 30 June 2019 and 2018 – continuing operations'* and *'Summary of results by segment – continuing operations: Results by segment'* sections of this MD&A.

- Adjusted EBITDA, as defined by the Group, is income from continuing operations before interest expense including accretion (net of interest income), income taxes, amortisation and depreciation, share-based compensation, severance costs, fair value adjustments on contingent consideration, transaction related costs and foreign exchange (gain)/loss. Management believes that Adjusted EBITDA is an important indicator of the issuer's ability to generate liquidity to service outstanding debt and fund the remaining acquisition milestone payment and uses this metric for such purpose. The exclusion of share-based compensation eliminates non-cash items and the exclusion of fair value adjustments on contingent consideration, severance costs, transaction related costs and foreign exchange (gain)/loss eliminates items which management believes are either non-operational and/or non-routine.

- Adjusted Net Income, as defined by the Group, means net income from continuing operations 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, amortisation of acquisition related purchase price intangibles (including non-compete clauses), share-based compensation, severance costs, fair value adjustments on contingent consideration, transaction related costs and foreign exchange (gain)/loss. The exclusion of accretion on financial liabilities and share-based compensation eliminates the non-cash items and the exclusion of amortisation of acquisition related purchase price intangibles (including non-compete clauses), fair value adjustments on contingent consideration, severance costs, transaction related costs and foreign exchange (gain)/loss 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 from continuing operations, 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 from continuing operations 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 ('Average Active Customers') as being real money customers who have placed at least one bet in a given month. '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 B2B and affiliate websites. 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 and six months ended 30 June 2019 and 2018 – continuing operations

The following table highlights Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share from continuing operations for the three and six months ended 30 June 2019 and 2018 and a reconciliation of the Group's reported results to its adjusted measures. All current period and 2018 comparative figures have been restated to exclude results of the Group's Mandalay and social gaming businesses, which were sold during the three month periods ended 31 March 2019 and 30 September 2018, respectively.

	Three month period ended 30 June 2019 (£000's)	Three month period ended 30 June 2018 (£000's)	**Six month period ended 30 June 2019 (£000's)**	Six month period ended 30 June 2018 (£000's)
Net (loss)/income for the period after taxes from continuing operations	**(2,733)**	7,860	**5,163**	(129)
Interest expense, net	**4,788**	4,865	**9,611**	9,719
Accretion on financial liabilities	**308**	489	**651**	2,026
Taxes	**563**	130	**1,030**	502
Amortisation and depreciation	**11,379**	13,763	**24,998**	27,454
EBITDA(1)	**14,305**	27,107	**41,453**	39,572
Share-based compensation	**76**	170	**166**	326
Severance costs	**—**	—	**—**	450
Fair value adjustments on contingent consideration	**—**	—	**460**	11,450
Transaction related costs	**11,086**	1,065	**12,201**	1,065
Foreign exchange (gain)/loss	**(504)**	(220)	**(277)**	143
Adjusted EBITDA(1)	**24,963**	28,122	**54,003**	53,006
Net (loss)/income for the period after taxes from continuing operations	**(2,733)**	7,860	**5,163**	(129)
Share-based compensation	**76**	170	**166**	326
Severance costs	**—**	—	**—**	450
Fair value adjustments on contingent consideration	**—**	—	**460**	11,450
Transaction related costs	**11,086**	1,065	**12,201**	1,065
Foreign exchange (gain)/loss	**(504)**	(220)	**(277)**	143
Amortisation of acquisition related purchase price intangibles	**9,931**	13,170	**22,409**	26,351
Accretion on financial liabilities	**308**	489	**651**	2,026
Adjusted Net Income	**18,164**	22,534	**40,773**	41,682
Diluted net (loss)/income per share from continuing operations	**£(0.04)**	£0.10	**£0.07**	£(0.00)
Diluted Adjusted Net Income per share from continuing operations	**£0.24**	£0.30	**£0.55**	£0.56

(1) Normalising figures for the three months ended 30 June 2019 for the impact of IFRS 16 implementation results in EBITDA of £13.9 million and Adjusted EBITDA of £24.6 million. Normalising figures for the six months ended 30 June 2019 for the impact of IFRS 16 implementation results in EBITDA of £40.8 million and Adjusted EBITDA of £53.4 million.

Summary of results by segment – continuing operations

Results by segment

As discussed in note 6 of the Consolidated Financial Statements, the Group sold its Mandalay business in the three month period ended 31 March 2019 and its social gaming business in the three month period ended 30 September 2018. All current period and 2018 comparative segment figures have been restated accordingly. The Mandalay and social gaming businesses were previously reported as part of the Jackpotjoy segment.

The Jackpotjoy segment consists of the real money 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, InterCasino and Solid Gaming.

Three months ended 30 June 2019

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs[1] (£000's)	Totals (£000's)
Gaming revenue	**48,662**	**37,572**	**—**	**86,234**
Net income/(loss) for the period after taxes from continuing operations	**7,266**	**9,189**	**(19,188)**	**(2,733)**
Interest expense, net	8	9	4,771	4,788
Accretion on financial liabilities	—	—	308	308
Taxes	—	485	78	563
Amortisation and depreciation	8,136	2,984	259	11,379
EBITDA	**15,410**	**12,667**	**(13,772)**	**14,305**
Share-based compensation	—	—	76	76
Transaction related costs	—	26	11,060	11,086
Foreign exchange gain	(82)	(213)	(209)	(504)
Adjusted EBITDA	**15,328**	**12,480**	**(2,845)**	**24,963**

(1) Unallocated Corporate Costs include the results from activities such as acquisition/disposal negotiations, acquisition due diligence, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of JPJ Group plc.

Three months ended 30 June 2018

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs[1] (£000's)	Totals (£000's)
Gaming revenue	**50,774**	**24,179**	**—**	**74,953**
Net income/(loss) for the period after taxes from continuing operations	**10,787**	**5,991**	**(8,918)**	**7,860**
Interest expense/(income), net	1	(30)	4,894	4,865
Accretion on financial liabilities	—	—	489	489
Taxes	—	130	—	130
Amortisation and depreciation	11,202	2,464	97	13,763
EBITDA	**21,990**	**8,555**	**(3,438)**	**27,107**
Share-based compensation	—	—	170	170
Transaction related costs	—	—	1,065	1,065
Foreign exchange loss/(gain)	76	(180)	(116)	(220)
Adjusted EBITDA	**22,066**	**8,375**	**(2,319)**	**28,122**

(1) *Unallocated Corporate Costs include the results from activities such as acquisition/disposal negotiations, acquisition due diligence, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of JPJ Group plc.*

Six months ended 30 June 2019

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs[1] (£000's)	Totals (£000's)
Gaming revenue	**97,741**	**71,785**	**—**	**169,526**
Net income/(loss) for the period after taxes from continuing operations	**15,442**	**19,034**	**(29,313)**	**5,163**
Interest expense, net	17	7	9,587	9,611
Accretion on financial liabilities	—	—	651	651
Taxes	—	874	156	1,030
Amortisation and depreciation	18,826	5,681	491	24,998
EBITDA	**34,285**	**25,596**	**(18,428)**	**41,453**
Share-based compensation	—	—	166	166
Fair value adjustments on contingent consideration	—	—	460	460
Transaction related costs	—	33	12,168	12,201
Foreign exchange (gain)/loss	(175)	135	(237)	(277)
Adjusted EBITDA	**34,110**	**25,764**	**(5,871)**	**54,003**

(1) *Unallocated Corporate Costs include the results from activities such as acquisition/disposal negotiations, acquisition due diligence, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of JPJ Group plc.*

Six months ended 30 June 2018

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs[1] (£000's)	Totals (£000's)
Gaming revenue	**103,611**	**45,350**	**—**	**148,961**
Net income/(loss) for the period after taxes from continuing operations	**23,305**	**6,687**	**(30,121)**	**(129)**
Interest expense/(income), net	3	(66)	9,782	9,719
Accretion on financial liabilities	—	—	2,026	2,026
Taxes	—	488	14	502
Amortisation and depreciation	22,403	4,862	189	27,454
EBITDA	**45,711**	**11,971**	**(18,110)**	**39,572**
Share-based compensation	—	—	326	326
Severance costs	—	450	—	450
Fair value adjustments on contingent consideration	—	—	11,450	11,450
Transaction related costs	—	—	1,065	1,065
Foreign exchange loss/(gain)	231	(70)	(18)	143
Adjusted EBITDA	**45,942**	**12,351**	**(5,287)**	**53,006**

(1) Unallocated Corporate Costs include the results from activities such as acquisition/disposal negotiations, acquisition due diligence, the raising of capital to fund acquisitions, payment of interest on existing debt, and the reporting obligations of JPJ Group plc.

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Comparison and discussion of the three and six months ended 30 June 2019 to the same periods in 2018 – continuing operations

Jackpotjoy

	Q2 2019 (£000's)	Q2 2018 (£000's)	Variance (£000's)	Variance %
Gaming revenue	**48,662**	50,774	(2,112)	(4%)
Distribution costs	**29,024**	24,748	4,276	17%
Administrative costs	**4,310**	3,960	350	9%
Adjusted EBITDA	**15,328**	22,066	(6,738)	(31%)

	YTD 2019 (£000's)	YTD 2018 (£000's)	Variance (£000's)	Variance %
Gaming revenue	**97,741**	103,611	(5,870)	(6%)
Distribution costs	**55,219**	50,207	5,012	10%
Administrative costs	**8,412**	7,462	950	13%
Adjusted EBITDA	**34,110**	45,942	(11,832)	(26%)

Gaming revenue for the Jackpotjoy segment for the three months ended 30 June 2019 was 4% lower than in the same period in 2018 primarily due to a decline in the Jackpotjoy UK brand, which accounted for 66% (three months ended 30 June 2018 – 68%) of the segment's revenue, as well as a decline in the Jackpotjoy Sweden brand, which accounted for 2% (three months ended 30 June 2018 – 5%) of the segment's revenue. The decline in both Jackpotjoy's UK and Swedish brands is due to enhanced responsible gambling measures introduced in the UK and recent regulatory changes in Sweden. The decrease was partially offset by an increase in the Botemania brand, which accounted for 18% (three months ended 30 June 2018 – 15%) of this segment's revenue.

Gaming revenue for the Jackpotjoy segment for the six months ended 30 June 2019 was 6% lower than in the same period in 2018 primarily due to a decline in the Jackpotjoy UK brand, which accounted for 66% (six months ended 30 June 2018 – 68%) of the segment's revenue, as well as a decline in the Jackpotjoy Sweden brand, which accounted for 3% (six months ended 30 June 2018 – 5%) of the segment's revenue. The decline in both Jackpotjoy's UK and Swedish brands is due to enhanced responsible gambling measures introduced in the UK and recent regulatory changes in Sweden. The decrease was partially offset by an increase in the Botemania brand, which accounted for 17% (six months ended 30 June 2018 – 15%) of this segment's revenue.

The increase in distribution costs for the three and six months ended 30 June 2019 compared to the same periods in 2018 was driven by an increase in marketing spend in Spain and the UK as well as an increase in gaming taxes as a result of an increase in the UK tax rates, which came into effect in Q2 2019 and the introduction of gaming taxes in Sweden.

The increase in administrative costs for the three and six months ended 30 June 2019 compared to the same periods in 2018 was mainly driven by increases in compensation and administrative overhead costs.

Vera&John

	Q2 2019 (£000's)	Q2 2018 (£000's)	Variance (£000's)	Variance %
Gaming revenue	**37,572**	24,179	13,393	55%
Distribution costs	**17,550**	11,785	5,765	49%
Administrative costs	**7,542**	4,019	3,523	88%
Adjusted EBITDA	**12,480**	8,375	4,105	49%

	YTD 2019 (£000's)	YTD 2018 (£000's)	Variance (£000's)	Variance %
Gaming revenue	**71,785**	45,350	26,435	58%
Distribution costs	**32,668**	24,495	8,173	33%
Administrative costs	**13,353**	8,504	4,849	57%
Adjusted EBITDA	**25,764**	12,351	13,413	109%

Gaming revenue for the Vera&John segment for the three and six months ended 30 June 2019 increased by 55% and 58%, respectively, compared to the same periods in 2018 due to organic growth (as defined on page 3 of this MD&A). On a constant currency basis, revenue increased by 56% and 59% for the three and six months ended 30 June 2019 compared to the same periods in 2018. Constant currency amounts are calculated by applying the same EUR to GBP average exchange rates to both current and prior period comparative figures.

Distribution costs increased by 49% and 33%, respectively, for the three and six months ended 30 June 2019 compared to the same periods in 2018 as a result of higher revenues achieved.

The increase in administrative costs for the three and six months ended 30 June 2019 compared to the same periods in 2018 was mainly driven by increases in personnel costs, professional fees and administrative overhead costs as the segment continues to grow.

Unallocated Corporate Costs

Adjusted EBITDA on Unallocated Corporate Costs decreased from (£2.3) million to (£2.8) million in the three months ended 30 June 2019 compared to the same period in 2018. The variance mainly relates to a £0.6 million increase in compensation and a £0.1 million increase in professional fees offset by a £0.2 million decrease in general administrative costs.

Adjusted EBITDA on Unallocated Corporate Costs decreased from (£5.3) million to (£5.9) million in the six months ended 30 June 2019 compared to the same period in 2018. The variance mainly relates to a £0.9 million increase in compensation offset by a £0.3 million decrease in general administrative costs.

Net loss on Unallocated Corporate Costs increased from £8.9 million to £19.2 million for the three months ended 30 June 2019 compared to the same period in 2018. This increase is primarily driven by higher transaction related costs driven by the Gamesys Acquisition as discussed on page 1 of this MD&A.

Net loss on Unallocated Corporate Costs decreased slightly from £30.1 million to £29.3 million for the six months ended 30 June 2019 compared to the same period in 2018. This decrease is related to lower fair value adjustments on contingent consideration due to the fact that the final earn-out period ended in Q1 2018, leaving only the fair value adjustment on the remaining milestone payment to be recognised in the current period. This movement is offset by higher transaction related costs driven by the Gamesys Acquisition as discussed on page 1 of this MD&A.

Costs included in net loss which are excluded from the Adjusted EBITDA measure are discussed on page 6 of this MD&A.

Key performance indicators – continuing operations

	Twelve months ended 30 June 2019	Twelve months ended 30 June 2018	Variance	Variance %
Average Active Customers per Month (#)	**245,893**	230,719	15,174	7%
Total Real Money Gaming Revenue (£000's) (1)	**317,608**	284,114	33,494	12%
Average Real Money Gaming Revenue per Month (£000's)	**26,467**	23,676	2,791	12%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	**108**	103	5	5%

(1) Total Real Money Gaming Revenue for the twelve months ended 30 June 2019 consists of total revenue less revenue earned from B2B and affiliate websites of £11.2 million (30 June 2018 – £6.7 million).

Monthly Real Money Gaming Revenue per Average Active Customer increased by 5% period-over-period which is in line with the Group's overall customer acquisition and retention strategy.

Historical results by quarter – continuing operations

	Three month period ended 30 June 2019 (£000's)	Three month period ended 31 March 2019 (£000's)	Three month period ended 31 December 2018 (£000's)	Three month period ended 30 September 2018 (£000's)
Gaming revenue	**86,234**	83,392	84,050	75,201
Net (loss)/income for the period after taxes from continuing operations	**(2,733)**	7,896	11,864	7,551
Basic (loss)/income per share – continuing operations	**£(0.04)**	£0.11	£0.16	£0.10
Diluted (loss)/income per share – continuing operations	**£(0.04)**	£0.11	£0.16	£0.10

	Three month period ended 30 June 2018 (£000's)	Three month period ended 31 March 2018 (£000's)	Three month period ended 31 December 2017 (£000's)	Three month period ended 30 September 2017 (£000's)
Gaming revenue	74,953	74,008	74,605	67,281
Net income/(loss) for the period after taxes from continuing operations	7,860	(7,989)	(40,734)	(8,791)
Basic income/(loss) per share – continuing operations	£0.11	£(0.11)	£(0.55)	£(0.12)
Diluted income/(loss) per share – continuing operations	£0.10	£(0.11)	£(0.55)	£(0.12)

The general upward trend in revenue from Q3 2017 to Q2 2019 is driven by organic growth (as defined on page 3 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 JPJ Group plc's most recently filed annual information form ('AIF'), available under JPJ Group plc's profile on SEDAR at www.sedar.com.

The movement in net income/(loss) 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.

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 in Q4 2017 resulting from debt refinancing, as well as higher fair value adjustments on contingent consideration.

The decrease in revenue between Q1 2018 and Q4 2017 is primarily due to seasonality as Q4 tends to be one of the strongest quarters. The net loss for Q1 2018 is significantly lower than in Q4 2017 primarily due to substantially lower accretion on financial liabilities in Q1 2018 (Q1 2018 – £1.5 million, Q4 2017 – £16.0 million) as accelerated accretion was recognised in Q4 2017 following the debt refinancing that took place in that period. The decrease is also driven by a loss on the cross currency swap realised in Q4 2017 (Q1 2018 – £nil, Q4 2017 – £ 9.0 million).

Revenue for Q2 2018 was largely consistent with Q1 2018. The variance between net income for Q2 2018 compared to a net loss in Q1 2018 is primarily driven by the fact that no fair value adjustment on contingent consideration was required in Q2 2018 as the earn-out period ended in Q1 2018 (Q2 2018 – £nil, Q1 2018 – £11.5 million). The variance is further driven by lower accretion on financial liabilities (Q2 2018 – £0.5 million, Q1 2018 – £1.5 million), which is also due to the final earn-out period ending in Q1 2018.

Both revenue and net income for Q3 2018 were largely consistent with Q2 2018.

The increase in revenue between Q4 2018 and Q3 2018 is due to stronger results achieved by the Vera&John and Jackpotjoy segments which saw revenues grow by 27% and 4%, respectively, compared to Q3 2018. The net income for Q4 2018 is higher than in Q3 2018 primarily due to the fair value adjustments on contingent consideration (Q4 2018 – (£4.2) million, Q3 2018 – £nil) resulting from a revaluation of the third milestone payment in the period.

The decrease in revenue between Q1 2019 and Q4 2018 is due to the fact that Q4 tends to be one of the strongest quarters. The net income for Q1 2019 is significantly lower than in Q4 2018 primarily due to the fair value adjustments on contingent consideration (Q1 2019 – £0.5 million, Q4 2018 – (£4.2)) as the third milestone payment was revalued to nil in Q4 2018.

The increase in revenue between Q2 2019 and Q1 2019 is due to strong results achieved by the Vera&John segment. The variance between a net loss for Q2 2019 compared to a net income in Q1 2019 is primarily driven by significantly higher transaction related costs driven by the Gamesys Acquisition as discussed on page 1 of this MD&A.

Financial position

	As at 30 June 2019 (£000's)	As at 31 December 2018 (£000's)	Variance (£000's)
Total current assets	**176,582**	123,959	52,623
Total non-current assets	**494,381**	521,947	(27,566)
Total assets	**670,963**	645,906	25,057
Total current liabilities	**69,769**	52,320	17,449
Total non-current liabilities	**378,053**	374,463	3,590
Total liabilities	**447,822**	426,783	21,039

The £22.9 million increase in current assets (excluding a cash increase of £29.7 million) since 31 December 2018 largely relates to a £7.4 million increase in restricted cash related to reserves held with payment service providers, a £1.8 million increase in customer deposits, a £3.2 million increase in taxes receivable and a £10.5 million increase in trade and other receivables due to the fact that the £6.0 million receivable for the sale of the Mandalay business is not due until September 2019.

The decrease in non-current assets of £27.6 million since 31 December 2018 mainly relates to the amortisation of intangible assets of £25.1 million. The decrease is further driven by the sale of the Mandalay business and corresponding reduction in intangible assets and goodwill (£3.8 million and £14.3 million, respectively). These decreases are offset by a £6.1 million increase in right-of-use assets related to the adoption of IFRS 16 in the current period, a £1.7 million increase in tangible assets, additions to partnership agreements and software development of £7.7 million and £0.1 million related to movement in foreign exchange rates.

The increase in current liabilities of £17.5 million since 31 December 2018 largely relates to the following:

- an increase of £7.0 million in other short-term payables mainly driven by an increase in transaction related payables;
- an increase of £6.5 million in accounts payable and accrued liabilities;
- an increase of £1.8 million in payable to customers;
- an increase of £1.6 million in short-term lease liabilities related to the adoption of IFRS 16;
- an increase of £0.5 million in contingent consideration due to the fair value adjustments; and

- an increase of £0.1 million in interest payable.

The increase in non-current liabilities of £3.6 million is largely driven by an increase of £4.4 million in lease liabilities related to the adoption of IFRS 16 in the current period. This was partially offset by a £0.8 million decrease in other long-term payables due to the reallocation of the remaining portion of non-compete covenants from the Gamesys group ('the non-compete clauses') from non-current to current.

Cash flow by activity

	Three month period ended 30 June 2019 (£000's)	Three month period ended 30 June 2018 (£000's)	**Six month period ended 30 June 2019 (£000's)**	Six month period ended 30 June 2018 (£000's)
Operating activity	**15,520**	24,553	**36,149**	48,905
Financing activity	**(6,670)**	(70,845)	**(13,269)**	(77,378)
Investing activity	**(3,511)**	(1,459)	**6,660**	(1,170)

Operating activity

Cash provided by operating activities during the three and six months ended 30 June 2019 relates to cash generated from the operational activities of the Jackpotjoy and Vera&John segments, less corporate expenses. For the three and six months ended 30 June 2019, the operating cash flow decreased compared to the same periods in 2018 primarily due to a higher restriction of cash balances related to reserves held with payment service providers as well as Gamesys Acquisition costs paid.

Financing activity

Cash used in financing activities for the three months ended 30 June 2019 relates mainly to the following transactions:

- £4.6 million in interest payments;
- £2.0 million in payments related to the non-compete liability; and
- £0.4 million in lease payments.

This was slightly offset by £0.3 million in proceeds from the exercise of options.

Cash used in financing activities for the six months ended 30 June 2019 mainly relates to the following transactions:

- £9.6 million in interest payments;
- £4.0 million in payments related to the non-compete liability; and
- £0.6 million in lease payments.

This was slightly offset by £0.9 million in proceeds from the exercise of options.

Investing activity

Cash used in investing activities during the three months ended 30 June 2019 was £3.5 million driven by a £2.0 million purchase of tangible assets as well as internally generated intangible assets of £1.5 million.

Cash provided by investing activities during the six months ended 30 June 2019 was £6.7 million. This is driven by £12.0 million from the disposal of a discontinued operation. The increase was partially offset by a £2.6 million purchase of tangible assets as well as internally generated intangible assets of £2.7 million.

Liquidity and capital resources

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

Liquidity risk arises from the Group's ability to meet its financial obligations as they become due. The following table summarises the Group's undiscounted financial and other liabilities as at 30 June 2019:

	On demand (£000's)	Less than 1 year (£000's)	2-3 years (£000's)	4-5 years (£000's)	After 5 years (£000's)
Accounts payable and accrued liabilities	27,139	—	—	—	—
Other payables	10,653	6,252	1,009	—	—
Lease liabilities	—	1,555	2,455	1,045	1,913
Payable to customers	10,864	—	—	—	—
Contingent consideration	5,000	—	—	—	—
Long-term debt	—	—	—	—	375,608
Interest payable on long-term debt	—	19,399	38,691	38,744	10,073
	53,656	**27,206**	**42,155**	**39,789**	**387,594**

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 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 Term Facilities (as defined below) repayments and interest payments become due.

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

During the three and six months ended 30 June 2019, the Group recorded £0.1 million and £0.2 million, respectively (three and six months ended 30 June 2018 – £0.1 million and £0.1 million, respectively) in share-based compensation expense relating to its long-term incentive plans with a corresponding increase in share-based payment reserve.

Credit facilities

On 6 December 2017, JPJ Group plc entered into a senior facilities agreement ('Senior Facilities Agreement') pursuant to which debt facilities were made available to JPJ Group plc and certain of its subsidiaries in an aggregate sterling equivalent amount of approximately £388.5 million, comprised of (i) a €140.0 million term facility (the 'EUR Term Facility', (ii) a £250.0 million term facility (the 'GBP Term Facility and, together with the EUR Term Facility', the 'Term Facilities') and (iii) a £13.5 million 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 and remains undrawn as at 30 June 2019.

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.

JPJ Group plc was in compliance with the terms of the Senior Facilities Agreement as at 30 June 2019.

Contingent consideration

The Group’s contingent consideration currently consists of the remaining Jackpotjoy payment related to the achievement of certain performance milestones related to the Jackpotjoy business (referred to in this MD&A as the ‘milestone payment’).

Contractual commitments

Contractual commitments of the Group, comprised of various office leases, amount to £6.7 million and are due within a ten-year period.

Dividends

During the three and six months ended 30 June 2019, £nil (three and six months ended 30 June 2018 – £nil) ordinary share dividends were declared and paid.

Outstanding share data

As at 12 August 2019, the Group had a total of 74,473,678 ordinary shares. As at 12 August 2019, JPJ Group plc had 2,134,576 share options and Intertain had 19,564,276 exchangeable shares outstanding.

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

During the three and six months ended 30 June 2019 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 notes 3 and 4 of the Group's most recently filed Annual Financial Statements. Other than what is described below, there have been no changes to the Group's significant accounting policies or critical accounting estimates and assumptions during the six months ended 30 June 2019.

IFRS 16 – Leases

Effective from 1 January 2019, the Group adopted IFRS 16 – *Leases* ('IFRS 16'), which replaces IAS 17 – *Leases* and related interpretations.

The Group elected to apply the modified retrospective approach which does not require restatement of comparative periods. As a result, lease liabilities were recognised in the opening consolidated balance sheet as at 1 January 2019 at an amount equal to the Group's remaining lease payments discounted using the Group's incremental borrowing rate. Additionally, the Group elected to measure right-of-use assets by reference to the measurement of the lease liabilities on the same date. As a result, net assets were not impacted. There was also no impact on the Group's equity at 1 January 2019.

On 1 January 2019, the Group recognised right-of-use assets and lease liabilities of £3.2 million.

Under IFRS 16, the Group amortises its right-of-use assets and accretes interest on its lease liabilities. As at 30 June 2019, the carrying value of the right-of-use assets amounted to £6.1 million and the carrying value of lease liabilities amounted to £5.9 million, with £1.5 million of this balance shown as short-term lease liabilities and the remaining portion of £4.4 million reflected under non-current liabilities.

Hedge accounting

The Group elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with the FX Forward as defined in note 12 of the Consolidated Financial Statements.

IFRS 9 – *Financial Instruments* ('IFRS 9') 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 be highly effective.

Based on the Group's analysis of the requirements outlined above, it was concluded that the FX Forward meets all the necessary criteria and qualifies for use of hedge accounting. The FX Forward was designated as a cash flow hedge.

Summary of significant accounting estimates and assumptions

The preparation of JPJ Group 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 period 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, JPJ Group 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 for impairment annually, 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 cash generating units and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Taxes

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, its financial position or its reported results. 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

Effective 1 January 2019, the Group has adopted IFRS 16 – *Leases*.

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 milestone payment obligations, the future performance of the Jackpotjoy segment, the possibility of the Group drawing on the RCF, and the statements made under the heading ‘Outlook’ of this MD&A. 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 licences, 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 milestone 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. However, whether actual results and developments will conform with the expectations and predictions contained in the forward-looking information is subject to a number of risks and uncertainties, many of which are beyond the Group’s control, and the effects of which can be difficult to predict, including that the assumptions outlined above may not be accurate. For a description of additional risk factors, see Schedule ‘A’ attached to JPJ Group 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 (including any such information or outlooks under the heading 'Outlook' on page 2 of 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 three and six months ended 30 June 2019. Additional information about the Group, including JPJ Group plc's most recent AIF, is available under JPJ Group plc's profile on SEDAR at www.sedar.com.