

18 September 2017

VELTYCO GROUP PLC
(“Veltco” or “the Group” or “the Company”)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Veltco, the online marketing company for the gaming industry, announces its unaudited interim results for the six months ended 30 June 2017.

Financial highlights

- Revenues increased by 202% to €6,355,573 (H1 2016: €2,102,558) exceeding the full year 2016 revenues of €6,082,468
- EBITDA for the first six months increased 410% to €3,801,354 (H1 2016: €744,129) and an increase of 80% compared to the operating EBITDA for the full year 2016 (€2,107,975)
- Net profit amounted to €3,601,996 (H1 2016: loss of €1,123,289)
- Basic earnings per share 5.14 cents per share (H1 2016: 2.57 cents loss per share)
- Net cash balances €1,320,692 (31 December 2016: €144,125)
- Given the strong trading performance of the business, the Board will consider paying a dividend in 2018 based on the final results for 2017

Operational highlights

- Successfully completed 51% acquisition of the Bet90 online operations
- Successfully completed 51% acquisition of the Tippen4you.com operations
- Ilan Tzorya joined the Board of Directors in January 2017, with huge experience in the options trading industry
- Raised €2,556,000 before expenses in April 2017 to satisfy the cash consideration of the two acquisitions
- Current trading continues to be strong which should enable the Group to report performance ahead of current market expectations

Commenting on the results, David Mathewson, Chairman, said:

“It has been an exciting first half year of 2017 for the Group and we are very happy to see such a strong trading performance during this period, which produced very good results for the period reported.

“Trading in the third quarter of 2017 continues to be strong and we now expect the business will exceed current market expectations for the full year.

“The Directors are currently focusing on the roll-out of the new Bet90 operations and continue to review potential acquisition opportunities which fit into the Company’s profile.”

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About Veltyco

Veltyco is a group of companies primarily focused on generating marketing leads and entering into marketing contracts for the activities of various partners in the gaming industry. Veltyco focuses on complementary activities under one umbrella, leveraging its historical cash generative activities of marketing online casinos and sports betting.

This announcement contains inside information.

CHAIRMAN'S STATEMENT

I am pleased to present the unaudited interim results for the six months ended 30 June 2017, which consolidates the results of Veltco Group plc ("Veltco") and its subsidiaries and associates.

Business review

Financial review

Throughout the first six months of 2017 the Group has continued to focus on the marketing of the existing brands. During 2016, the Company expanded its focus from marketing and player acquisition of casino and sportsbook only to other fields of operations, with lottery and option trading providers. We have previously reported a strong increase in revenue and operating profit during the second half of 2016 already and this has continued during the first six months of 2017, across all business verticals.

Revenue for the first six months of 2017 amounted to €6,355,573 (H1 2016: €2,102,558) which represents an increase of over 200%. This exceeded the full year revenue for 2016, which amounted to €6,082,468.

Net profit for the first six months of 2017 was €3,601,996 (H1 2016: loss of €1,123,289) and the EBITDA for the first six months of 2017 amounted to €3,801,354, compared to €744,129 in the first six months of 2016, which represents a significant increase of 410%.

On 13 April 2017, the Company announced that it had raised €2.55 million (before expenses) on a private basis with a small number of investors via the issue of 5,604,551 new ordinary shares of no par value. The proceeds of this fundraise were used to satisfy the cash consideration of two completed acquisitions: a) the acquisition of 51% of the entire issued share capital of Quasar Holdings Ltd, which holds 100% in Bet90 Sports Ltd, holder of the Bet90 brand, and b) 51% of the entire issued share capital of T4U Marketing Ltd for a total consideration of €510,000, with an option to acquire the remaining 49% of the share capital within 12 months after completion of the transaction.

Due to their timing, the impact of these two acquisitions on the results for the first six months of 2017 is not material. The T4U Marketing operations have now been integrated into the Veltco operations. The Bet90 transaction completed on 28 June 2017 and the website went live on 28 July 2017.

Outlook

The Board is pleased to confirm that trading during the third quarter of 2017 has continued to be strong, exceeding current market expectations. Furthermore, the Bet90 operations add a new stream of income to the Company's operations. Bet90's online platform runs on the SBTech sportsbook. The Bet90 website is expected to deliver a contribution in the financial year ending 31 December 2018 and the Board is focusing on expanding these operations rapidly.

Given current levels of business, the Board expects the results for the year ending 31 December 2017 to be ahead of the current market expectations.

Dividend

Given the strong trading performance of the business, the Board will consider paying a dividend in 2018 based on the final results for 2017.

David Mathewson

Chairman

18 September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	Unaudited	Audited
	<i>period ended</i>	<i>period ended</i>	<i>Year ended</i>
	<i>30 June</i>	<i>30 June</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
<i>Note</i>	€	€	€
Revenues	6,355,573	2,102,558	6,082,468
Salary expense	(367,176)	(278,888)	(608,825)
Marketing and selling expense	(1,770,023)	(798,484)	(2,682,422)
General administrative expense	(417,020)	(281,057)	(683,246)
Listing expenses	-	-	(123,850)
Depreciation, amortisation and impairment expense	(147,299)	(272,768)	(362,179)
Total administrative expenses	(2,701,518)	(1,631,197)	(4,460,522)
Operating profit	3,654,055	471,361	1,621,946
Reverse asset acquisition expense	-	(1,555,898)	(1,555,898)
Financial income/(expense)	40,291	(38,752)	(9,286)
Profit before tax	3,694,346	(1,123,289)	56,762
Taxation	(92,350)	-	(36,144)
Profit/(loss) for the financial period	3,601,996	(1,123,289)	20,618
 <i>Earnings per share</i>			
- Basic (in €)	2	0.0514	(0.0257)
- Diluted (in €)	2	0.0478	(0.0257)
			0.0004
			0.0004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Unaudited	Audited
		30 June	30 June	31 December
		2017	2016	2016
Note		€	€	€
Non-current assets				
		3,344	4,971	4,158
Property, plant and equipment				
	3	5,104,260	23,235	2,740,792
Intangible assets				
		916,197	930,207	916,197
Loans receivable				
Total non-current assets		<u>6,023,801</u>	<u>958,413</u>	<u>3,661,147</u>
Current assets				
		1,320,692	498,763	144,125
Cash and cash equivalents				
		1,627,034	1,604,726	1,590,883
Loans receivable				
		4,776,969	951,696	2,602,338
Trade and other receivables				
Total current assets		<u>7,724,695</u>	<u>3,055,185</u>	<u>4,337,346</u>
Total assets		<u>13,748,496</u>	<u>4,013,598</u>	<u>7,998,493</u>
Equity and liabilities				
		-	-	-
Share Capital				
	3	13,170,817	7,527,090	10,614,354
Additional paid-in capital				
		(6,046,908)	(6,046,908)	(6,046,908)
Reverse asset acquisition reserve				
		6,000,347	1,201,823	2,376,540
Retained earnings				
Equity attributable to owners of the parent		<u>13,124,256</u>	<u>2,682,005</u>	<u>6,943,986</u>
		9,103	-	-
Non-controlling interests				
Total shareholders' equity		<u>13,133,359</u>	<u>2,682,005</u>	<u>6,943,986</u>
Non-current liabilities				
		26,730	147,795	26,358
Borrowings				
Total non-current liabilities		<u>26,730</u>	<u>147,795</u>	<u>26,358</u>
Current Liabilities				
		588,407	1,183,798	1,028,149
Trade and other payables				
Total current liabilities		<u>588,407</u>	<u>1,183,798</u>	<u>1,028,149</u>
Total equity and liabilities		<u>13,748,496</u>	<u>4,013,598</u>	<u>7,998,493</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Share capital</i> €	<i>Additional paid in capital</i> €	<i>Other reserves - Reverse asset acquisition reserve</i> €	<i>Retained earnings</i> €	<i>Total</i> €
Balance as at 1 January 2016 (restated)	-	6,046,980	(6,046,908)	2,304,891	2,304,963
Profit for the financial period	-	-	-	(1,123,288)	(1,123,288)
Share based acquisition	-	-	-	-	-
Share based payments	-	90,909	-	20,220	111,129
Issue of share capital	-	1,389,201	-	-	1,389,201
Balance as at 30 June 2016	-	7,527,090	(6,046,908)	1,201,823	2,682,005
Balance as at 1 January 2016 (restated)	-	6,046,980	(6,046,908)	2,304,891	2,304,963
Profit for the financial period	-	-	-	20,618	20,618
Share based acquisition	-	2,801,592	-	-	2,801,592
Share based payments	-	90,909	-	51,031	141,940
Issue of share capital	-	1,674,873	-	-	1,674,873
Balance as at 31 December 2016	-	10,614,354	(6,046,908)	2,376,540	6,943,986
Profit for the financial period	-	-	-	3,601,996	3,601,996
Share based payments	-	-	-	21,811	21,811
Issue of share capital	-	2,556,463	-	-	2,556,463
Balance as at 30 June 2017	-	13,170,817	(6,046,908)	6,000,347	13,124,256

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	Unaudited	Audited
	30 June	30 June	31 December
	2017	2016	2016
	€	€	€
Cash flows from operating activities			
Operating profit	3,654,055	471,361	1,621,946
<i>Adjustments for:</i>			
Share based payments	21,811	30,303	53,016
Depreciation	812	-	813
Amortisation of intangibles	146,487	2,321	86,356
Impairment	-	270,447	275,011
Cash flow from operations before working capital changes	3,823,165	774,432	2,037,142
(Increase) in trade and other receivables	(2,210,780)	(378,481)	(1,761,112)
(Decrease) in trade and other payables	(531,720)	(58,223)	(307,415)
Cash flow from operations	1,080,665	337,728	(31,385)
Tax paid	-	-	(50,144)
Cash flow from operating activities	1,080,665	337,728	(81,529)
Cash flow from investing activities			
Acquisitions of subsidiaries	(2,500,852)	-	-
Acquisitions of intangible assets	-	(270,447)	(275,011)
Loans granted	-	(29,743)	(767,701)
Loans repayments received	-	-	497,800
Interest received	40,291	42,073	80,388
Cash acquired on reverse asset acquisition	-	2,112	2,112
Net cash outflow from investing activities	(2,460,561)	(256,005)	(462,412)
Cash flow from financing activities			
Proceeds of issue of new shares	2,556,463	410,606	646,278
Repayment of borrowings	-	(35,354)	-
Net cash inflow from financing activities	2,556,463	375,252	646,278
Net increase in cash and cash equivalents	1,176,567	456,975	102,337
Cash and cash equivalents at start of period	144,125	41,788	41,788
Cash and cash equivalents at end of period	1,320,692	498,763	144,125

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

1 Basis of preparation

The interim consolidated financial statements incorporate the results of Veltco Group plc (the “Company”) and entities controlled by the Company (its subsidiaries) (collectively the “Group”).

The interim consolidated financial statements are unaudited, do not constitute statutory accounts and were approved by the Board of directors on 18 September 2017.

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. These policies are consistent with those to be adopted in the Group’s consolidated financial statements for the year ended 31 December 2017. The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the consolidated financial statements for the year ended 31 December 2016.

The principal risks and uncertainties of the Group have not changed since the last annual financial statements where a detailed explanation of such risks and uncertainties can be found.

2 Earnings per share

The calculation of earnings per share is based on the following earnings and number of shares.

	6 months ended 30 June 2017	6 months ended 30 June 2016	Year ended 31 December 2016
	€	€	€
Profit/(loss) for the purposes of basic loss per share being net profit/(loss) after tax attributable to equity	3,601,996	(1,123,289)	20,618
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	70,023,762	43,753,775	53,116,500
Weighted average number of dilutive share options	5,344,020	260,000	2,802,010
Weighted average number of ordinary shares for the purposes of diluted earnings per share	75,367,782	44,013,775	55,918,510
Basic earnings per share (in €)	0.0514	(0.0257)	0.0004
Diluted earnings per share (in €)	0.0478	(0.0257)	0.0004

Basic profit/(loss) per share has been calculated by dividing the net results attributable to ordinary shareholders by the weighted average number of shares in issue during the period adjusted for the exchange ratio in the reverse asset acquisition. This exchange ratio has also been applied to the weighted average number of dilutive share options for the purposes of calculating diluted earnings per share.

3 Significant events during the reporting period

On 13 April 2017 the Company announced that it had raised €2.55 million (before expenses) on a private basis with a small number of investors via the issue of 5,604,551 new ordinary shares of no par value ("Ordinary Shares") (the "Subscription") to new and existing investors. The new Ordinary Shares were issued at 39 pence per new Ordinary Share, representing 8.3% of the Company's existing share capital at that time and 7.7% of its enlarged share capital.

The Subscription was undertaken in order to satisfy the cash consideration for two acquisitions:

- 1) the acquisition of 51% of the entire issued share capital of Quasar Holdings Limited for a total consideration of €2 million (completed on 28 June 2017), and;
- 2) the acquisition of 51% of the entire issued share capital of T4U Marketing Ltd for a total consideration of €510,000 with an option to acquire the remaining 49% of the share capital (completed on 13 April 2017).

As per IFRS 3, Business Combinations, the Directors are determining the fair value accounting for these acquisitions. To value these acquisitions, the Directors have contacted an external valuation expert to determine these fair values. At the time of preparation of this report, this valuation was not yet completed. Therefore balances reported may change in the 2017 full year report.

On 16 January 2017, Mr Ilan Tzorya joined the Board of Directors of the Group.

4 Subsequent events

On 5 July 2017, after the Company's AGM, the Company announced that options over 300,000 ordinary shares of no par value ("Ordinary Shares") were granted under the Company's Long Term Incentive Plan May 2016 (as amended) to each of David Mathewson, Marcel Noordeloos, Hans Dahlgren and Mark Rosman with an exercise price of 65p per share, being the closing bid price of the Ordinary Shares the day before the grant. The total of 1,200,000 options vest in equal instalments over 4 years commencing the expiry of one year from the date of grant. Any unexercised options lapse on the fifth anniversary of the date of grant.

On 21 July 2017, the Company announced that it had received an exercise notice for the exercise of 733,521 warrants over ordinary shares of no par value in the capital of the Company ("Ordinary Shares"), which were granted on 30 June 2016, at an exercise price of 31p per share.

Furthermore, the Company issued 191,827 new ordinary shares of no par value in the Company to a creditor that preferred shares over cash at a price of 75p to satisfy an invoice for services of £143,870. Following these share issuances a total of 74,156,159 Ordinary Shares are in issue.

A copy of the Company's unaudited interim results for the six months to 30 June 2017 are available on the Company's website at www.veltyco.com.