

Interim Report Jan-Sept 2019 | Q3

JULY-SEPT 2019 (COMPARED WITH JULY-SEPT 2018)

- Revenues totalled EUR 4.16 (4.07) million, an increase of 2% all of which was organic.
- Adjusted EBITDA excluding non-recurring costs totalled EUR 0.61 (1.52) million, corresponding to an adjusted EBITDA margin of 15 (37)%
- EBITDA totalled EUR 0.47 (1.39) million, corresponding to an EBITDA margin of 11 (34)%
- Net cash generated from operating activities was EUR 0.88 (1.31) million
- New Depositing Customers (NDCs) totalled 18,411 (17,703), an increase of 4%

JAN-SEPT 2019 (COMPARED WITH JAN-SEPT 2018)

- Revenues totalled EUR 13.83 (11.30) million, an increase of 22%. The organic growth rate was 22%.
- Adjusted EBITDA excluding non-recurring costs totalled EUR 3.37 (4.22) million, corresponding to an adjusted EBITDA margin of 24 (37)%
- EBITDA totalled EUR 3.17 (3.53) million, corresponding to an EBITDA margin of 23 (31)%
- Net cash generated from operating activities was EUR 3.55 (3.70) million
- New Depositing Customers (NDCs) totalled 65,163 (49,707), an increase of 31%

SIGNIFICANT EVENTS DURING THE THIRD QUARTER 2019

- **Growth investment from Edison Partners** | Gambling.com Group entered into an agreement with Edison Partners to secure an equity investment of USD 15.5 million, of which USD 6.98 million corresponds to new equity, to further expand the Group's operations.
- **Appointment of a new director** | Gregg Michaelson, a partner at Edison Partners, joined Gambling.com Group's board of directors as the sixth member of the board from September 2019.
- **Go-ahead for business in Pennsylvania and West Virginia** | Following the approvals received from the Pennsylvania Gaming Control Board and the West Virginia Lottery the Group started providing services to licensed gaming operators in the respective states.
- **Settlement of acquisition commitment** | The Group settled the final outstanding EUR 1.33 million due for assets acquired in January 2018.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- **Appointment of U.S. Lead** | The Group welcomed Max Bichsel, a former director of sales for Kambi, as VP US Business.
- **Colorado referendum** | Introduction of regulated online sports betting in Colorado was approved by referendum.
- **Closing of Edison Partners Transaction** | The transaction agreed with Edison Partners during the third quarter closed.

CEO COMMENTS

Q3 is always a seasonally lighter quarter, with fewer sporting events. This, together with the continuing market challenges (due to tax and regulatory changes) in the UK and Swedish markets resulted in a slower overall growth rate for the Group in the third quarter. In addition, following a review of the PPC media buying strategy, the Group spent at a much reduced rate in the quarter, in this area. When looking at the Group's core business of earned revenue (SEO and direct navigation), year on year growth across all markets was 16%. Earned revenue performance in the UK market remained steady year on year, despite substantial headwinds in the market. However, in our growth markets, including the US, KPI data continued to show very strong growth trends, and we remain extremely positive for future development in these markets.



Equity growth investment

The Group secured a USD 15.5 million equity investment from Edison Partners, a New Jersey based growth equity investment firm. USD 6.98 million of the total was satisfied by the issuance of new shares in the Group with the remaining part satisfied by a passive investor. The funds give the Group additional firepower to continue its investments in high-growth markets but also a strategically important partner with a strong network and performance marketing expertise in the United States.

Regulated American sports betting developments

The Group continues to be very excited about the US opportunity in the coming years. During the third quarter the Group started conducting business in Pennsylvania and West Virginia in addition to New Jersey. The Group is currently pursuing licensure in Illinois, Indiana, Tennessee and Iowa and have seen recent positive legislative developments towards viable online markets in Colorado and Michigan.

Market developments

The Group has continued to see strong growth outside of the core markets of the UK, Ireland and Sweden. SEO revenue growth from all other markets, including the US, amounted to 161% year on year in the quarter. Post quarter end the Group has taken the strategic decision to exit some smaller, low-growth European markets which were underperforming to focus our resources where we see the best growth opportunities.

The Group continues its investments in US product and marketing capabilities to lay a strong foundation to take advantage of the rapidly developing American market.

In the core UK and Swedish markets, the lower revenue trajectory established towards the end of the second quarter as a result of regulatory and tax changes has continued in the third quarter with core market revenue run rate continuing well below the level of Q1 2019 and Q4 2018 which were exceptionally strong. The Group has not yet seen any meaningful rebound in conversion rates following the enhanced UK KYC regulations introduced in Q2 but expects the negative effects to diminish somewhat over time as a result of operator software improvements and player acclimatisation.

The Group still expects the UK market to remain the most important regulated online gambling market in the world until eventually being overtaken by the US market.

Organisational developments

The operational focus in Q3 continued to be on process optimisation and the delivery of major technology projects. The Group has all but concluded a refactor of the codebase behind Gambling.com and is in the process of rolling out a new Group-wide Content Management System which has been over 12 months in the making. We expect these internal technology projects to have a material effect on operational efficiency and thereby the Group's ability to continue growing organically.

Operational results

Operationally we saw NDCs totalling 18,411, an increase of 4% compared to the same quarter last year. As an increasing proportion of commercial agreements involve at least some component of revenue share, revenue growth trailed NDC growth at 2% reaching EUR 4.16 million. Q3 Adjusted EBITDA was EUR 0.61 million. All of the revenue growth was organic and was driven by 16% growth from earned traffic whereas paid traffic remained at very low levels.

We continue our pivot to growth markets and in particular the emerging US market and remain convinced that our big investments in product, technology, and people this year will result in significant organic growth in the coming years.

Charles Gillespie
Chief Executive Officer

CONSOLIDATED KEY RATIOS

	July- Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	Jan-Dec 2018
Financial measures defined by IFRS					
Operating Revenue (EUR'000).....	4,163	4,074	13,828	11,298	16,233
Operating Profit (EUR'000).....	337	1,205	2,701	3,002	4,348
Operating Profit margin (%).....	8%	30%	20%	27%	27%
Adjusted Operating Profit (EUR'000).....	481	1,331	2,903	3,690	5,197
Adjusted Operating Profit margin (%).....	12%	33%	21%	33%	32%
Alternative performance measures					
Adjusted EBITDA (EUR'000).....	610	1,519	3,365	4,221	5,824
Adjusted EBITDA margin (%).....	15%	37%	24%	37%	36%
EBITDA (EUR'000).....	467	1,393	3,162	3,533	4,975
EBITDA margin (%).....	11%	34%	23%	31%	31%
NDCs.....	18,411	17,703	65,163	49,707	74,838
Total assets (EUR '000).....	33,284	34,000	33,284	34,000	34,510
NIBD / TTM Adjusted EBITDA.....	2.7	2.6	2.7	2.6	2.4
Average number of employees.....	120	62	112	48	50

Some financial measures presented in this interim report are not defined by IFRS. Such measures may provide valuable additional information to investors and management for evaluating the performance and position of the Group. These measures are defined on the last page of this report and may not necessarily be comparable to similarly titled measures of other companies and should not be considered substitutes to financial reporting measures prepared in accordance with IFRS.

FINANCIAL REVIEW

Revenues | Revenues in the third quarter totalled EUR 4.16 (4.07) million an increase of 2% compared to the corresponding period in the previous year, all of which was organic.

Cumulative revenues for the first nine months totalled EUR 13.83 (11.30) million, an increase of 22%. The organic growth rate was 22%.

The growth was driven by the increase in earned revenue (derived from earned traffic) which amounted to 16% in the third quarter and 37% for the first nine months. Paid revenue (derived from bought traffic), on the other hand, decreased by 81% in the third quarter and 47% for the first nine months.

Of the third quarter revenues EUR 4.05 (3.48) million was earned revenue and EUR 0.11 (0.59) million was paid revenue. For the first nine months EUR 12.75 (9.28) million was earned revenue and EUR 1.08 (2.02) million was paid revenue.

Revenues derived from locally regulated markets amounted to 77% in the third quarter and 81% in the first nine months.

Expenses | Total operating expenses for the third quarter amounted to EUR 3.83 (2.87) million and EUR 11.13 (8.30) million for the first nine months.

Direct costs related to paid revenue amounted to EUR 0.14 (0.56) million in the third quarter and EUR 1.02 (1.90) million for the first nine months. Gross margin was 97 (86)% for the third quarter and 93 (83)% for the first nine months.

The Group significantly scaled its operational resources as planned in the beginning of the year investing for the future in product and software development and content creation with a heavy focus on products for the regulated US markets, but also further market expansion outside the UK and US markets, and particularly within the sports vertical. This has put downward pressure on Adjusted EBITDA margins in the short term.

Whereas the Group continues to invest in product and software development, during the second and third quarters it has slowed down the pace of hiring to consolidate the enlarged organisation focusing on optimising management processes and workflows, and the completion of some major technology projects.

Post quarter-end the Group has taken the strategic decision to exit certain smaller markets and segments where it lacks scale and traction in order to better focus resource where it sees the highest growth potential. As a result, some teams are being re-structured which, once fully effective, will result in a reduction in monthly operating expenses of approximately EUR 0.15 million and restructuring costs of approximately EUR 0.25 million to be taken over the fourth quarter 2019 and first quarter 2020.

Non-recurring costs in the quarter and for the first nine months related to costs incurred in connection with the equity investment into the Group.

Financial items for the first nine months consisted primarily of interest expenses deriving from the 2019 Notes and the 2021 Bond, and deemed interest derived from long-term lease liabilities (being a result of IFRS 16 application). Financial items also include movement in fair value of Bonds and Notes of cumulative neg. EUR 0.05 (gain 4.64) million for the first nine months. Fair values are based on the directors' assessment of the probability of conversion, maturity and early redemption of the financial instruments.

Tax charges amounted to tax credit EUR 0.02 (tax expense 0.04) million in the third quarter and to tax expense EUR 0.07 (tax expense 0.15) million for the first nine months. Tax charges primarily relates to movements in deferred tax and theoretical income tax charge due by the subsidiaries of the Group attributable to the current period.

Earnings | Adjusted EBITDA (excluding non-recurring costs) for the third quarter totalled EUR 0.61 (1.52) million, a decrease of 60% compared to the corresponding period in the previous year resulting in an adjusted EBITDA margin of 15 (37)%.

EBITDA (including non-recurring costs) for the third quarter totalled EUR 0.47 (1.39) million a decrease of 66% compared to the corresponding period in the previous year resulting in an EBITDA margin of 11 (34)%.

Adjusted EBITDA (excluding non-recurring costs) for the first nine months totalled EUR 3.37 (4.22) million, a decrease of 20% compared to the corresponding period in the previous year resulting in an adjusted EBITDA margin of 24 (37)%.

EBITDA (including non-recurring costs) for the first nine months totalled EUR 3.17 (3.53) million, a decrease of 10% compared to the corresponding period in the previous year resulting in an EBITDA margin of 23 (31)%.

Investments | Net investments in intangible assets amounted to EUR 1.33 (0.18) million in the third quarter and EUR 1.33 (7.32) million in the first nine months. The 2019 additions comprised of the final deferred payment due for the mobile application performance marketing network acquired in January 2018. Investments made in 2018 comprised of an initial payment for a major mobile application performance marketing network and final payments for bookies.com and related assets acquired in January and February 2018, respectively.

The Group invested in fixed property of EUR 0.06 (0.07) million in the third quarter and EUR 0.16 (0.37) million in the first nine months, mostly related to office equipment.

Funding | As at quarter end the Group was funded through equity and the 2021 Bond with a nominal value of EUR 16 million, carrying interest at 10.5% p.a. and maturing in October 2021. The Bond has early redemption rights embedded from April 2020 until maturity in October 2021 (full terms set out in the 2021 Bond prospectus). The Group sold EUR 0.5 million of Bonds held in treasury during the first nine months.

As at quarter end the Bond balance exceeded the nominal value and accrued interest by EUR 0.95 million included within Borrowings; this represents the fair value as of the period end of the embedded option of early redemption of the Bond.

During the third quarter the Group entered into an agreement with Edison Partners for a growth investment into the Group of USD 15.5 million of which USD 6.98 million in new equity resulting in a net capital increase for the Group of EUR 6.26 million subsequent to the reporting period.

Liquidity and Cashflow | Cash and cash equivalents amounted to EUR 1.43 (3.86) million at the end of the reporting period. Liquidity is primarily deposited in accounts with European banks. The Group had positive cashflow and strong cash conversion from operating activities. Cashflow from operating activities before changes in working capital amounted to EUR 0.78 (1.42) million in the third quarter and EUR 3.51 (3.53) million for the first nine months.

Cashflow used in investing activities for the third quarter and first nine months included final cash payment made for the mobile application performance marketing network acquired in 2018, and office equipment purchases. Cashflow used in investing activities for the comparative periods comprised primarily of cash payments for the acquisitions of a mobile application performance marketing network, bookies.com and related assets, and contingent earn-out payments for previous acquisitions.

Cashflow used in financing activities in the first nine months related to early redemption payments of 2019 Note holders, maturity redemption of outstanding 2019 Notes, scheduled interest payments, and proceeds received from sale of treasury bonds. Transaction costs related to the new equity financing agreed during the third quarter. Rent payments for long term leases are presented as part of financing cashflows as a result of changes in IFRS requirements. Cashflow from financing activities for the comparative period related to the transfer of proceeds from convertible debentures raised in 2017 from an investment bank to the Group, issuance of the 2021 Bond, cash early redemption payments for the 2019 and 2020 Notes, transaction costs incurred upon issuance of the 2021 Bond and scheduled interest payments made.

OTHER

Employees | The average number of employees in the Group amounted to 120 (62) in the third quarter and 112 (48) in the first nine months 2019. The number of employees at the end of the third quarter amounted to 120 (65) and the total full-time workforce (including consultants) was 127 (72).

Parent company | The ultimate parent company is Gambling.com Group Plc (the "Company") incorporated in Malta for the purpose of managing investments in subsidiaries, obtaining financing from third parties on behalf of the Group and coordinating financing amongst its subsidiaries. During the first nine months no dividends were received from subsidiaries.

Share capital | As of September 30th, 2019, the share capital of the Company amounted to EUR 50,000 divided into 25,000,000 ordinary shares. The shares are not publicly traded.

Share options | During the first nine months the Company issued 0.10 (1.75) million share options to management and directors of the Group paid for at fair market value. In addition, the rights to, and time of, exercise was amended in relation to 0.50 million share options. Maximum dilution from total issued share options is approximately 9% of the share capital.

Essential risks and uncertainty factors | The Group's primary operational risks are its reliance on search engine rankings and pay per click advertising capabilities to maintain and improve its traffic acquisition abilities. It is possible that search engines including Google, Yahoo, and Bing could adopt strategies that could negatively impact the Group's traffic acquisition. The Group has adopted a conservative and long-term approach to search engine optimisation based on best practice.

The Group is also a subject to compliance risks in the form of changes to, or introduction of, new or updated regulatory frameworks for its clients (operators). Regulation of a market could present both risks and opportunities and the Group has a positive general view on regulation. The vast majority of the Group's revenue is derived from locally regulated markets.

Other essential business risks consist of the ability to retain customers and employees, the general macro environment, strategic, operational and financial risks. For more detailed information about essential risks and risk management, please refer to the annual report for 2018 (Note 2) and the 2021 Bond prospectus (Paragraph 1).

Changes in Legislation | In January 2019, the US Department of Justice (DOJ) released an opinion which re-interpreted the Department's own 2011 opinion on what the 1961 Wire Act covers. The re-interpretation has been widely challenged, the DOJ has not enforced its opinion, and state legislative activity for US sports betting regulation does not seem to have slowed thus far. The Group retains a positive outlook on continuous state regulation of US sports betting in the mid-term.

An increase in Remote Gaming Duty on operators from 15% to 21% in the UK market, the Group's largest revenue source, became effective from 1 April 2019. The UK Gambling Commission also implemented more rigid Operator KYC checks upon the registration of players. Analysis of the data subsequent to changes in regulation introduced indicates a decrease in expected player values while new KYC requirements resulted in lower NDC conversion from the UK market. The Group expects lower UK player values to persist but NDC conversion to improve over time as a result of operator software improvements and player acclimatisation. The Group expects the UK market to remain the most important regulated online gambling market in the world until eventually being overtaken by the US market.

The introduction of locally regulated online gambling in Sweden gives long term legal certainty for the Swedish market which remains a top five revenue source for the Group. The introduction of a consumption tax on operators as from 1st January 2019 has negatively impacted average player values.

Both the UK and the Swedish Gambling Regulators have been very active in enforcing marketing regulations with hefty penalties having been levied on operators for non-compliance. The Group looks favourably on the increased compliance focus, has not been involved in such non-compliance activities and retains strong long-term relationships with the major UK and Swedish operators. Performance marketing remains within bounds even in markets which has taken the most restrictive view on online gambling marketing such as Italy.

In September the EU Payment Services Directive 2 became fully effective. Analysis of data subsequent to the implementation indicates reduced NDC conversion. The Group expects NDC conversion to improve over time as a result of payment provider software improvements and user acclimatisation.

Auditors review | This interim report has not been reviewed by the Group's auditors.

The Board of Directors and the CEO affirm that this interim report provides an accurate overview of the operations, financial position, and performance of the Group and the Company, and describes the significant risks and uncertainties faced by the companies in the Group.

November 20th, 2019



Charles Gillespie
On behalf of the board of directors

UPCOMING DATES

- 28 February 2020 | 2019 Year End Report
- 24 April 2020 | 2019 Annual Report
- 20 May 2020 | Q1 2020 Interim Report

ABOUT GAMBLING.COM GROUP PLC

Gambling.com Group Plc is a multi-award-winning provider of digital marketing services for the global iGaming industry. Founded in 2006, the Group has a workforce of over 120 and operates from offices in Malta, Dublin, Tampa and Charlotte. The Group publishes websites that offer comparisons and reviews of online gambling websites in 15 national markets in 9 languages. Players use these resources to select which online gambling operators they should trust to offer a safe and honest online gambling experience. The Group's publishing assets include the leading iGaming industry portal, Gambling.com® as well as Bookies.com and the CasinoSourceSM series of portals, among many others.

STATEMENT OF COMPREHENSIVE INCOME – GROUP

	July- Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	Jan-Dec 2018
Revenues	4,163	4,074	13,828	11,298	16,233
Total revenue	4,163	4,074	13,828	11,298	16,233
Direct costs related to paid revenue.....	(141)	(559)	(1,024)	(1,903)	(2,584)
Personnel expenses.....	(2,062)	(981)	(5,503)	(2,491)	(3,851)
Depreciation and amortization.....	(130)	(188)	(461)	(531)	(627)
Non-recurring costs related to financing and investing.....	(144)	(126)	(202)	(688)	(849)
Other operating expenses	(1,349)	(1,015)	(3,937)	(2,683)	(3,974)
Operating profit, EBIT	337	1,205	2,701	3,002	4,348
Interest payable on borrowings.....	(420)	(403)	(1,361)	(1,197)	(1,655)
Other (losses) gains on financial liability at fair value through profit and loss	–	(132)	(50)	4,642	3,743
Finance income	45	–	92	98	166
Finance costs	(41)	(191)	(209)	(485)	(1,057)
(Loss) Profit before tax, EBT	(79)	479	1,173	6,060	5,545
Tax credit (expenses)	22	(41)	(69)	(153)	(115)
Total comprehensive (loss) profit for the period	(57)	438	1,104	5,907	5,430

All amounts are presented in EUR '000 unless stated otherwise

STATEMENT OF FINANCIAL POSITION – GROUP

	Sept 30 2019	June 30 2019	Dec 31 2018
ASSETS			
Non-current assets			
Intangible assets	27,139	27,136	27,314
Property and equipment	512	472	414
Right-to-use asset	1,806	1,861	–
Deferred tax	109	126	130
Total non-current assets	29,566	29,595	27,858
Current assets			
Trade and other receivables	2,285	2,635	2,771
Cash and cash equivalents	1,433	2,148	3,881
Total current assets	3,718	4,783	6,652
TOTAL ASSETS	33,284	34,378	34,510
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	50	50	50
Capital reserve	8,574	8,574	8,574
Share option reserve	129	129	112
Retained earnings	3,295	3,352	2,191
Total equity attributable to the equity holders of the parent	12,048	12,105	10,927
Non-current liabilities			
Borrowings	16,950	16,950	16,399
Lease liability	1,542	1,580	–
Total non-current liabilities	18,492	18,530	16,399
Current liabilities			
Trade and other payables	1,157	1,276	1,330
Borrowings and accrued interest	736	277	3,191
Amounts committed on acquisition	–	1,299	1,283
Lease liability	316	316	–
Current tax liability	35	75	–
Other liabilities	500	500	1,380
Total current liabilities	2,744	3,743	7,184
TOTAL LIABILITIES	21,236	22,273	23,583
TOTAL EQUITY AND LIABILITIES	33,284	34,378	34,510

All amounts are presented in EUR '000 unless stated otherwise

STATEMENT OF CHANGES IN EQUITY – GROUP

	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	Jan- Dec 2018
Balance at beginning of period	12,105	11,077	10,927	5,591	5,591
Comprehensive income					
(Loss) Profit for the period	(57)	438	1,104	5,907	5,430
Transactions with owners					
Movements in share options' reserve	–	52	17	52	(86)
Movements in other reserves.....	–	(18)	–	(1)	(8)
Balance at the end of the period	12,048	11,549	12,048	11,549	10,927

All amounts are presented in EUR '000 unless stated otherwise

STATEMENT OF CASH FLOWS – GROUP

	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	Jan- Dec 2018
Cash flows from operating activities					
Operating profit	337	1,205	2,701	3,002	4,348
Transaction costs related to financing activities	144	–	145	–	–
Adjustments for non-cash items:					
Depreciation and amortization.....	130	188	461	531	627
Movements in impairment allowance	182	27	267	–	169
Income tax paid.....	(12)	–	(63)	–	(675)
Cash-flows from operating activities before changes in working capital	781	1,420	3,511	3,533	4,469
Changes in working capital					
Trade and other receivables.....	198	(278)	292	(570)	(1,291)
Trade and other payables.....	(103)	169	(257)	734	1,123
Net cash generated from operating activities...	876	1,311	3,546	3,697	4,301
Investing activities					
Acquisition of property, plant and equipment...	(59)	(74)	(159)	(367)	(416)
Acquisition of intangible assets	(1,332)	(180)	(1,332)	(7,231)	(9,588)
Cash-flows used in investing activates.....	(1,391)	(254)	(1,491)	(7,598)	(10,004)
Financing activities					
Proceeds from issuance of promissory notes...	–	–	500	7,704	23,204
Repayment of promissory notes	–	–	(3,505)	–	(12,786)
Interest paid	–	(223)	(1,167)	(1,378)	(1,818)
Interest received	21	–	21	–	–
Payment of lease.....	(79)	–	(238)	–	–
Transaction costs paid on financing raised.....	(144)	–	(145)	(137)	(587)
Cash-flow (used in) generated from financing activities.....	(202)	(223)	(4,534)	6,189	8,013
Net cash-flows for the period	(717)	834	(2,479)	2,288	2,311
Cash and cash equivalents at the beginning of the period	2,148	3,024	3,881	1,569	1,569
Bank revaluation	2	–	31	–	–
Cash and cash equivalents at the end of the period.....	1,433	3,858	1,433	3,858	3,881

All amounts are presented in EUR '000 unless stated otherwise

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Note 1 Accounting policies and disclosures

The Group's interim report is prepared in accordance with IAS 34 Interim Reporting and, for the Parent Company, RFR 2. In all other respects, the accounting policies applied correspond with that stated in the annual report for 2018 (Note 1). Disclosures pursuant to Paragraph 16A of IAS 34 appear in the financial statements and their accompanying notes, and in other parts of this interim report.

The new standards which became effective as from January 1st, 2019 are included below.

IFRS 16 "Leases" revises accounting of leased assets (replacing IAS 17); in accordance with the standard, except for some cases, a distinguish between operating and finance lease is removed resulting in almost all leases being recognised in the statement of financial position of a lessee as an asset (a right to use a leased asset) and a liability (payable rental). The Group applied the standard from its mandatory adoption date of 1 January 2019 using the simplified transition approach. As a result, the Group did not restate the comparative amounts for the year prior to adoption.

As at 1 January 2019 the Group had existing long-term non-cancellable office lease commitments of EUR 2,853 being accounted under IAS 17 in the prior periods. As a result of the application of IFRS 16, this commitment transformed into a lease liability of EUR 1,970 as at 1 January 2019. The right-in-use asset is measured to be equal to the liability as at initial recognition. Accordingly, as from 1 January 2019, operating lease expenditures on this arrangement are replaced by amortisation of the right-to-use asset and by a deemed interest cost on the lease liability.

As disclosed in the annual report for the financial year ended 31 December 2018, management estimated that rental costs on this arrangement, amounting to EUR 316 for the year ending 31 December 2019, will be replaced by an annual amortisation charge of EUR 219 and a notional interest expense of EUR 167. The adoption of IFRS 16 will therefore result in a decrease of EUR 70 in earnings for the year ending 31 December 2019.

Rental payments under IFRS 16 are allocated between deemed interest and a reduction in the lease liability, with a corresponding impact on the Group's statement of cash flows. As per the adopted Group policy, rental payments are presented as a part of financing cash flows. The impact of the adoption IFRS 16 is further disclosed in Note 6.

Other standards, amendments and interpretations to existing standards which became effective as from 1 January 2019 have limited or no impact on the Group's financial statements.

For a complete account of the important estimates and assessments affecting the Group, refer to the 2018 Annual report (Note 3) according to IFRS.

Note 2 Related party transactions

All companies forming part of Gambling.com Group Plc, the shareholders and other companies controlled or significantly influenced by the shareholders are considered by the directors to be related parties. The ultimate controlling party of Gambling.com Group Plc is Mr Mark Blandford.

Total remuneration paid to the related parties (including consultancy fees) amounted to EUR 123 (60) in the third quarter and EUR 368 (200) for the first nine months.

During the first nine months the Group transferred EUR 880 to related parties on behalf of certain incoming shareholders of the Company that had opted to purchase shares from selling shareholders for redemption proceeds from the 2019 and 2020 Notes. As at 30 September 2019 the Group held EUR 500 as a current liability payable to selling shareholders for the share transfers.

Note 3 Segment

Gambling.com Group's operations and management is organized by one business segment, gambling affiliation.

All amounts are presented in EUR '000 unless stated otherwise

Note 4 Intangible Assets

In the normal course of the business, the Group's acquisitions comprise of domains, websites, and player databases. The consideration paid for player databases is determined by reference to the historical average revenue per active player for the portfolio of acquired players over the expected player life. The residual value is allocated to domains and websites. Player databases are amortised over the average expected player life of the portfolio of players. Domains and websites are attributed an indefinite useful life and are therefore not amortised but tested for impairment.

During the third quarter the Group settled the remaining final consideration related to acquisitions made in 2018. There was no outstanding liability related to the acquisition of intangible assets as at 30 September 2019.

The Group did not purchase any new intangible assets during the first nine months 2019.

During the third quarter the Group received a VAT assessment with a claim payable for EUR 1.43 million related to one of the acquisitions completed in 2018. The liability was fully revoked after the VAT Department re-assessed the case based on information submitted by the Group.

Note 5 Borrowings

As at quarter end the borrowings' balance of the Group was represented by the 2021 Bond only.

The 2021 Bond is a senior secured fixed rate bond listed on Nasdaq Stockholm with an aggregate nominal balance of EUR 16 million (under a total framework of EUR 25 million) carrying interest at 10.5% due for payment semi-annually. The bond is due for repayment on the earlier of either October 22, 2021, a default event, or a change in control event. The bond has an embedded option for early redemption between April 2020 and maturity (full terms set out in the 2021 Bond prospectus).

The 2021 Bond is carried at fair value based on an event probability basis. The significant inputs are the values associated with each of the potential repayment, early redemption, default, or change in control event scenarios and the probability associated with each scenario. Included in the valuation are significant unobservable estimates that have been used to derive the fair value. This includes the probability of early redemption, default, or change in control, the timing of such events and the discount rate applied to each scenario. The directors' assessment as at the reporting date of the probability of each such scenario results in the movement in fair value.

Note 6 Leases

On 1 January 2019 the Group adopted IFRS 16 "Leases", which resulted in recognition of a lease liability for the Group's offices (previously accounted as operating lease in accordance with IAS 17 "Leases"). The liability was measured at the present value of remaining lease payments discounted at the Group's cost of capital. The rate applied to the lease liability on 1 January 2019 was 8.75%. From 1 January 2019, lease payments have been allocated between finance costs and lease liability.

The associated right-to-use asset for property leases was measured at an amount equivalent to the lease liability as at 1 January 2019. The asset is subsequently amortised over the remaining lease term (as determined as at 1 January 2019) on a straight-line basis.

The Group recognised expenses from low-value and/or short-term rent of EUR 144 in the third quarter and EUR 417 for the first nine months 2019.

STATEMENT OF COMPREHENSIVE INCOME – COMPANY

	July- Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	Jan-Dec 2018
Revenues	—	—	—	—	—
Total revenue	—	—	—	—	—
Board fees	(54)	(29)	(118)	(83)	(118)
Depreciation	—	(12)	—	(12)	(12)
Non-recurring costs related to financing and investing	(84)	(15)	(93)	(189)	(244)
Other operating expenses	(27)	(48)	(89)	(74)	(71)
Operating loss, EBIT	(165)	(103)	(300)	(358)	(445)
Interest payable on borrowings.....	(420)	(403)	(1,361)	(1,197)	(1,654)
Other (losses)/gains on financial liability at fair value through profit and loss.....	—	(312)	(50)	4,152	3,743
Finance income	531	413	1,605	1,207	1,657
Finance costs	—	(1)	(11)	(3)	(451)
(Loss) Profit before tax, EBT	(54)	(406)	(117)	3,801	2,850
Tax expense.....	—	—	—	—	—
Total comprehensive (loss) income for the period	(54)	(406)	(117)	3,801	2,850

All amounts are presented in EUR '000 unless stated otherwise

STATEMENT OF FINANCIAL POSITION – COMPANY

	Sept 30 2019	June 30 2019	Dec 31 2018
ASSETS			
Non-current assets			
Investment in subsidiaries	9,133	9,133	9,133
Property and equipment	2	2	2
Total non-current assets	9,135	9,135	9,135
Current assets			
Trade and other receivables.....	15,102	14,738	16,108
Cash and cash equivalents	174	156	2,084
Total current assets	15,276	14,894	18,192
TOTAL ASSETS	24,411	24,029	27,327
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	50	50	50
Capital reserve	4,726	4,726	4,726
Share option reserve.....	129	129	112
Retained earnings.....	1,111	1,164	1,228
Total equity attributable to the shareholders	6,016	6,069	6,116
Non-current liabilities			
Borrowings.....	16,950	16,950	16,399
Total non-current liabilities	16,950	16,950	16,399
Current liabilities			
Trade and other payables.....	209	233	241
Borrowings and accrued interest.....	736	277	3,191
Other liabilities	500	500	1,380
Total current liabilities	1,445	1,010	4,812
TOTAL LIABILITIES	18,395	17,960	21,211
TOTAL EQUITY AND LIABILITIES	24,411	24,029	27,327

All amounts are presented in EUR '000 unless stated otherwise

Definition and purpose of alternative performance measure | In this interim report, we are using the following alternative key figures, as we believe they are relevant in follow-up of our strategy and financial goals.

Alternative performance measure	Definition	Purpose
Adjusted Operating Profit	Operating profit adjusted for non-recurring expenses	Monitors normalised operating profit.
Adjusted Operating Profit Margin	Adjusted operating profit as a percentage of revenue	Monitors normalised operating profitability.
EBITDA	Operating result before depreciation and amortisation.	Monitors operating profit and cash-flow.
EBITDA Margin	EBITDA as a percentage of Revenue	Monitors operational profitability.
Adjusted EBITDA	EBITDA adjusted for non-recurring expenses.	Monitors normalised operating profit and cash- flow.
Adjusted EBITDA Margin	Adjusted EBITDA as a percentage of revenue.	Monitors normalised operational profitability
NDC (New Depositing Customers)	A new customer placing a first deposit on a client's website.	The Group reports these key figures as they are key drivers for organic growth and revenues.
NIBD / TTM Adjusted EBITDA	Interest bearing debt adjusted for fair value movements, cash, and treasury bonds divided by trailing twelve months EBITDA adjusted for fair value movements and non-recurring expenses	Monitors leverage as defined in the Bond prospectus